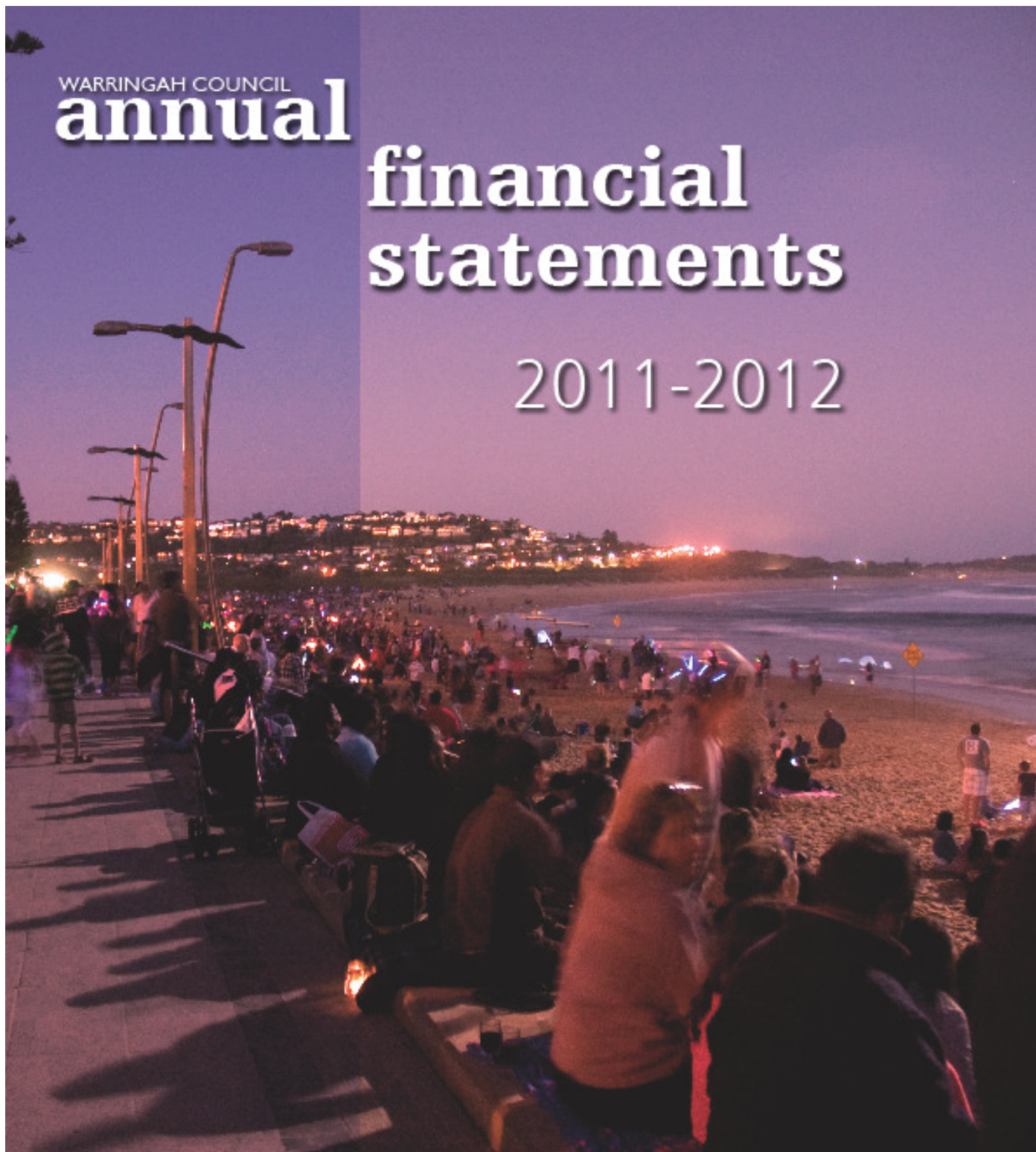


WARRINGAH COUNCIL
annual

financial statements

2011-2012



FINANCIAL STATEMENTS

in Plain English

<p>Introduction The General Purpose Financial Statements show how the Council performed financially during the 2011/2012 financial year and presents the financial position as at the end of the financial year.</p> <p>Council presents its financial statements in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulation and the Local Government Code of Accounting Practice and Financial Reporting. Particular terms required by these Standards may not be familiar to some readers. Council is a "not-for-profit" organisation and some of the generally recognised terms used in the private sector corporate reports are not ideally transferable to the Local Government Environment.</p> <p>Warringah Council is mindful of its role of acting in the public interest and it is in this context that the Plain English guide is provided to assist readers in understanding and analysing the financial report.</p> <p>What is Contained in the General Purpose Financial Statements? Council's Financial Statements have two sections, namely:</p> <ol style="list-style-type: none"> (1) The Principal Financial Statements (2) The Notes to and Forming Part of the Principal Financial Statements. <p>There are four (5) Principal Financial Statements and twenty seven (27) Notes. These are prepared by Council staff, examined by the Council's Audit Committee and by Council and then audited by an independent Auditor. The five Principal Financial Statements appear immediately after the statement by Council on Pages 3-7 of the General Purpose Financial Report and comprise the following:</p> <ul style="list-style-type: none"> • Income Statement • Statement of Comprehensive Income • Balance Sheet • Statement of Changes in Equity • Cash Flow Statement <p>The Notes detail Council's accounting policies and the make up of values contained in the Principal Financial Statements.</p> <p>Statement by Councillors and Management The Statement is made by the Council, the General Manager and the Responsible Accounting Officer to indicate that, in their opinion, the General Purpose Financial Report has met all the statutory and professional reporting requirements and has been prepared in accordance with Council's records.</p>	<p>Income Statement The Income Statement shows:</p> <ul style="list-style-type: none"> • The sources of Council's revenue under various income headings • The expenses incurred in running the Council during the year <p>These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.</p> <p>Emphasis is placed on the net operating result before capital grants and contributions and indicates that revenues from operations exceeded expenses.</p> <p>Balance Sheet This statement is a snap shot of the financial position of the Council as at 30 June 2012. It shows what the Council owns as assets and what it owes as liabilities. The bottom line of this statement is net assets and is equivalent to the net worth of the Council that has built up since incorporation in 1906.</p> <p>The assets and liabilities are separated into current and non-current. 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.</p> <p>Statement of Comprehensive Income Council is required to present all items of income and expense recognised during the year. Council has chosen to present this information in two statements. The first is the Income Statement explained above. The second statement is the Statement of Comprehensive Income. This begins with Net Operating Result for the year from the Income Statement and then details other comprehensive income which represents other gains and losses of Council such revaluations not recognised in the Income Statement.</p> <p>Statement of Changes in Equity During the course of the year the value of total equity as set out in the Balance Sheet changes. This Statement shows the values of such changes and how these changes arose.</p> <p>The main reasons for a change in equity are as follows:</p> <ul style="list-style-type: none"> • Surplus from operations as disclosed in the Income Statement • Changes in minority interest of the subsidiary. <p>Cash Flow Statement Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. This statement is presented</p>	<p>according to a very specific accounting standard and needs some care and analysis. The values differ from those shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.</p> <p>Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.</p> <p>Council's cash arises from and is used in three main areas:</p> <ul style="list-style-type: none"> • Operating activities • Investing activities – this term relates to only assets such as new capital plant and other long-term revenue producing assets. • Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases. <p>The bottom line of the Cash Flow Statement is the cash at the end of the financial year.</p> <p>Notes to the Accounts The Notes are a very important and informative section of the Report. Rather than expecting the reader to have a working knowledge of the numerous and forever-changing Australian Accounting Standards, the Notes are provided to enable the reader to understand the basis on which the values shown in the Statements are established. These are described in Note 1.</p> <p>Apart from the Accounting Policies, the Notes also give details behind many of the summary figures contained in the Statements. The Note numbers are shown beside the relevant items in the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement.</p> <p>The Notes should be read at the same time as, and together with, other parts of the Financial Statements to get a clear picture of the accounts.</p> <p>Auditor's Report on the Financial Statements and on the Conduct of the Audit The independent Audit Report is the external and independent opinion on the Financial Statements. It provides the reader with a totally independent opinion and covers both the statutory and professional requirements and also the fairness aspects of the Financial Statements.</p> <p>Local Government Financial Health Check Attached to this Plain English guide is Council's Sustainable Financial Health Check prepared in accordance with the industry accepted guidelines.</p>
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FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

CASH/LIQUIDITY POSITION

Indicator # 1 Cash /Liquidity Position – after accounting for external reserves

1.1 Unrestricted Current Ratio

Indicator Definition:

Current Assets less Externally Restricted Current Liabilities
Current Liabilities less Specific Purpose Current Liabilities

Indicator / Local Government Benchmark:
Greater than 2:1 Between 1:1 and 2:1 Less than 1:1 Successive years > 10:1

	June 2011	June 2012	June 2013	June 2014	June 2015
	2.74	3.35	3.34	3.45	2.72

Commentary: Council's liquidity is satisfactory enabling it to pay its debts as and when they fall due. The increase in this ratio reflects the ongoing management of Council's current liabilities

1.2 Available Cash Position

Indicator Definition:

(a) Available Cash Assets
Cash Assets less Externally Restricted Assets
(b) Unrestricted Available Cash Assets
Available Cash Assets less Internally Restricted Assets

	June 2011	June 2012	June 2013	June 2014	June 2015
(a)	\$44,788	\$46,233	\$45,921	\$47,386	\$35,307
(b)	\$35,422	\$36,289	\$35,622	\$36,968	\$24,772

Commentary: This indicator is used to interpret indicator 1.1 in \$ amount. More than adequate funds are available, providing the capacity to respond to opportunities to react to unforeseen commitments that may arise. Based on forecasted cashflows, Cash Assets will to remain relatively stable over the next two years and then decrease in year three reflecting the sale of assets and the Capital Works Program detailed in the Strategic Community Plan.

1.3 Availability of Cash Assets as a % of total Revenue

Indicator Definition:

(a) Available Cash Assets
Total Ordinary Revenue before Capital
(b) Unrestricted Available Cash Assets
Total Ordinary Revenue before Capital

	June 2011	June 2012	June 2013	June 2014	June 2015
(a)	34.21%	33.30%	30.46%	29.57%	21.33%
(b)	27.06%	26.13%	23.63%	23.07%	14.97%

Commentary: This indicator is used to interpret indicator 1.2[b] in % amount. This demonstrates that Council funds are available either for unplanned works, commitments or for unforeseen occurrences.

OPERATING RESULT

Indicator # 2 – Operating Result – using trend analysis Result from Continuing Operations before Capital Grants & Contributions

Indicator Definition:

Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result after depreciation

Indicator / Local Government Benchmark:
Three (3) successive

	June 2008	June 2009	June 2010	June 2011	June 2012
	\$3,750	\$2,278	\$7,938	\$2,266	\$4,578

Commentary: Council continues to generate sufficient revenue to cover its operating expenditure, including depreciation. In accordance with its Financial Planning Policy which highlights the importance of financial sustainability, Council is proposing to maintain this position.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

ASSET RENEWAL EXPENDITURE

Indicator # 3 – Asset Renewal Expenditure

Indicator Definition:

Capital Renewal Capacity – amount of funds spent on renewing assets (as opposed to maintaining them)

Capital Expenditure on Existing Assets

Annual Depreciation

Indicator / Local Government Benchmark:

1 to 1 Less than 1:1

	June 2011	June 2012	June 2013	June 2014	June 2015
	2.59	2.05	1.38	1.39	1.25

Commentary: This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has been adopted to ensure Council fully funds its asset renewals and eliminates infrastructure backlogs.

DEBT SERVICE RATIO

Indicator # 4 – Debt Service Ratio

Indicator Definition:

Net Debt Service Cost

Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

<10% 10%-15% >15%

	June 2011	June 2012	June 2013	June 2014	June 2015
	1.54%	0.53%	0.00%	0.00%	0.00%

Commentary: This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments). Council's Only borrowings are finance leases for information technology equipment which are being phased out.

COLLECTION PERFORMANCE

Indicator # 5 – Collection Performance

5.1 Outstanding Rates, Charges & Fees

5.2 Rates, Annual, Interest and Extra charges outstanding

Indicator Definition:

5.1 Total Outstanding Rates Charges and Fees

Invoices raised plus Arrears Brought Fwd

5.2 Rates, Annual, Interest and Extra charges outstanding

Rates Annual, Interest and Extra Charges Collectible

Indicator / Local Government Benchmark:

<4% 4%-5% >5%

	June 2011	June 2012	June 2013	June 2014	June 2015
5.1	4.75%	4.06%	3.90%	3.90%	3.90%
5.2	3.19%	3.18%	3.10%	3.10%	3.10%

Commentary: 5.1 This indicator measures the effectiveness of Council in recovering all debts legally owed to it; whereas 5.2 This indicator assesses the impact of rates, annual interest & extra charges outstanding and the adequacy of recovery efforts.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

RE-VOTES OF EXPENDITURE

Indicator # 6 – Re – Votes of Expenditure

Indicator Definition: Revotes / Ordinary and Capital Expenditure

Indicator / Local Government Benchmark:

<2%		2%-5%		>5%	
June 2008	June 2009	June 2010	June 2011	June 2012	
0.08%	0.00%	2.12%	0.55%	0.24%	

Commentary: The existence of re-votes at year end indicates funded projects/outcomes were not delivered in accordance with Council's forecast position. During 2010/11 Council carried over 0.55% of its proposed capital expenditure. During 2011/12 this decreased to 0.24% and reflected issues such as delays due to weather.

ACCURACY / TIMELINES OF FINANCIAL DATA / BUDGET / COMPLIANCE

Indicator # 7 – Management Practices

Indicator Definition:

Indicator / Local Government Benchmark:

	8 to 10 Achieved	5 to 7 Achieved	< or = 4 Achieved		
	June 2008	June 2009	June 2010	June 2011	June 2012
1. Financial Bottom Line (before capital) matched to forecasts to a level of + or – 10%	No	Yes	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline	Yes	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end	Yes	Yes	Yes	Yes	Yes
5. Do you report quarterly – within 21 days of quarter end	No	No	No	No	No
6. Do you report annually – within 21 days of year end	No	No	No	No	No
7. Budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	Yes	Yes	Yes	Yes	Yes
8. Rigour of budget review and then ongoing monthly/quarterly budget to actual results analysis	Yes	Yes	Yes	Yes	Yes
9. Does RAO (Responsible Accounting Officer) formally report to Council on the sign off of Financial Statements – Section 413 (2) (c)	Yes	Yes	Yes	Yes	Yes
10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice.	Yes	Yes	Yes	Yes	Yes
	7	8	7	7	7

Warringah Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*Leading our community
Protecting our environment
Creating our future*



General Purpose Financial Statements

for the financial year ended 30 June 2012

CONTENTS	PAGE	OVERVIEW
1. Statement by Councillors & Management	6	(i) These Financial Statements are general purpose financial statements for Warringah Council and its controlled entities and are presented in Australian currency.
2. Income Statement	7	(ii) Warringah Council is a body corporate 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.
3. Statement of Comprehensive Income	8	Council's Statutory Charter is specified in Section 8 of the LGA and includes;
4. Balance Sheet	9	<ul style="list-style-type: none"> • carrying out activities and providing goods, services and facilities appropriate to the current & future needs of the Local community and of the wider public; • responsibility for administering regulatory requirements under the LGA and other applicable legislation, and • a role in the management, improvement and development of the resources of the local government area.
5. Statement of Changes in Equity	10	A description of the nature of Council's operations and its principal activities are provided in Note 2(b).
6. Statement of Cash Flows	11	(iii) The Financial Statements are authorised for issue by the Council on 29 August 2012 . Council has the power to amend and reissue the Financial Statements.
7. Notes to the Financial Statements	12	(iv) Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, Financial Statements and other information are available on our website: www.warringah.nsw.gov.au .
8. Auditors' Reports	60	

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.
- The Local Government Code of Accounting Practice and Financial Reporting.

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


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

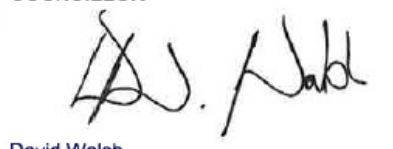
We are not aware of any matter that would render this Report false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 August 2012.


Michael Regan
MAYOR


Jason Falinski
COUNCILLOR


Rik Hart
GENERAL MANAGER


David Walsh
RESPONSIBLE ACCOUNTING OFFICER

ANNUAL FINANCIAL STATEMENTS

Income Statement for the year ended 30 June 2012

Budget ⁽¹⁾			Actual	Actual
2012	\$ '000	Notes	2012	2011
INCOME FROM CONTINUING OPERATIONS				
Revenue:				
82,872	Rates & Annual Charges	3a	83,119	79,257
33,393	User Charges & Fees	3b	31,792	30,287
4,687	Interest & Investment Revenue	3c	5,329	5,947
7,998	Other Revenues	3d	9,356	7,624
7,139	Grants & Contributions provided for Operating Purposes	3e,f	8,677	7,549
3,861	Grants & Contributions provided for Capital Purposes	3e,f	4,160	6,921
Other Income:				
160	Net gains from the disposal of assets	5	205	167
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the Equity Method	19	377	71
140,110	TOTAL INCOME FROM CONTINUING OPERATIONS		143,015	137,823
EXPENSES FROM CONTINUING OPERATIONS				
57,497	Employee Benefits & On-Costs	4a	54,434	52,435
306	Borrowing Costs	4b	312	330
46,990	Materials & Contracts	4c	49,522	47,676
13,889	Depreciation & Amortisation	4d	13,880	13,566
-	Impairment	4d	-	-
15,642	Other Expenses	4e	16,129	14,629
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associated			
601	Entities using the Equity Method	19	-	-
134,925	TOTAL EXPENSES FROM CONTINUING OPERATIONS		134,277	128,636
5,185	OPERATING RESULT FROM CONTINUING OPERATIONS		8,738	9,187
DISCONTINUED OPERATIONS				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
5,185	NET OPERATING RESULT FOR THE YEAR		8,738	9,187
Attributable to:				
4,254	- Council		7,459	8,113
931	- Minority Interests		1,279	1,074
1,324	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		4,578	2,266

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

The above Income Statement should be read in conjunction with the accompanying notes

ANNUAL FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 30 June 2012

\$'000	Notes	Actual 2012	Actual 2011
Net operating result for the year - from Income Statement			
		8,738	9,187
Other Comprehensive Income			
Gain on revaluation of infrastructure, property, plant and equipment	20b	-	20,633
Total other Comprehensive Income for the year		-	20,633
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,738	29,820
Attributable to:			
- Council		7,459	28,746
- Minority Interests		1,279	1,074

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

ANNUAL FINANCIAL STATEMENTS

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	6,544	11,182
Investments	6b	68,537	71,038
Receivables	7	6,584	8,294
Inventories	8	96	90
Other	8	1,037	862
Non-current assets classified as "held for sale"	22	2,944	2,944
Total Current Assets		85,742	94,410
Non-Current Assets			
Investments	6b	4,318	5,623
Receivables	7	497	497
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,383,286	2,369,616
Investments accounted for using the equity method	19	1,226	849
Investment Property	14	2,100	2,100
Intangible Assets	25	1,840	1,270
Other	8	-	-
Total Non-Current Assets		2,393,267	2,379,955
TOTAL ASSETS		2,479,009	2,474,365
LIABILITIES			
Current Liabilities			
Payables	10	13,766	18,602
Borrowings	10	491	574
Provisions	10	12,457	11,582
Total Current Liabilities		26,714	30,758
Non-Current Liabilities			
Payables	10	600	400
Borrowings	10	274	508
Provisions	10	6,752	6,338
Investments accounted for using the equity method	19	-	-
Total Non-Current Liabilities		7,626	7,246
TOTAL LIABILITIES		34,340	38,004
NET ASSETS		2,444,669	2,436,361
EQUITY			
Retained Earnings	20	2,326,286	2,318,827
Revaluation Reserves	20	110,929	110,929
Council Equity Interest		2,437,215	2,429,756
Minority Equity Interest		7,454	6,605
TOTAL EQUITY		2,444,669	2,436,361

The above Balance Sheet should be read in conjunction with the accompanying notes

ANNUAL FINANCIAL STATEMENTS

Statement of Changes in Equity

for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2012						
Opening Balance	20	2,318,827	110,929	2,429,756	6,605	2,436,361
Correction of Errors	20	-	-	-	-	-
Changes in Accounting Policies	20	-	-	-	-	-
Restated Opening Balances	20	2,318,827	110,929	2,429,756	6,605	2,436,361
Net Operating Result for the year	20	7,459	-	7,459	1,279	8,738
Other Comprehensive Income	20	-	-	-	-	-
Total Comprehensive Income		7,459	-	7,459	1,279	8,738
Dividends Paid to Minority Interests		-	-	-	(430)	(430)
Closing Balance		2,326,286	110,929	2,437,215	7,454	2,444,669
2011						
Opening Balance	20	3,481,267	90,296	3,571,563	5,940	3,577,503
Correction of Errors		-	-	-	-	-
Changes in Accounting Policies		(1,170,553)	-	(1,170,553)	-	(1,170,553)
Restated Opening Balances	20	2,310,714	90,296	2,401,010	5,940	2,406,950
Net Operating Result for the year	20	8,113	-	8,113	1,074	9,187
Other Comprehensive Income	20	-	20,633	20,633	-	20,633
Total Comprehensive Income		8,113	20,633	28,746	1,074	29,820
Dividends Paid to Minority Interests		-	-	-	(409)	(409)
Closing Balance		2,318,827	110,929	2,429,756	6,605	2,436,361

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

ANNUAL FINANCIAL STATEMENTS

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget			Actual	Actual
2012	\$ '000	Notes	2012	2011
Cash Flows from Operating Activities				
Receipts:				
82,872	Rates & Annual Charges		83,146	79,628
33,393	User Charges & Fees		32,631	29,449
4,687	Interest & Investment Revenue Received		5,641	5,810
11,000	Grants & Contributions		13,630	13,906
-	Deposits & Retentions Received		1,205	1,631
8,158	Other		9,648	7,498
Payments:				
(57,390)	Employee Benefits & On-Costs		(53,375)	(51,973)
(51,990)	Materials & Contracts		(53,650)	(45,260)
(306)	Borrowing Costs		(82)	(133)
-	Deposits & Retentions Refunded		(1,526)	(1,930)
(16,243)	Other		(16,233)	(13,980)
14,181	Net Cash provided (or used in) Operating Activities	11b	21,035	24,646
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investments		146,925	143,150
-	Sale of Investment Property		-	-
1,650	Sale of Infrastructure, Property, Plant & Equipment		1,575	2,249
Payments:				
-	Purchase of Investment Securities		(143,369)	(134,041)
(34,420)	Purchase of Infrastructure, Property, Plant & Equipment		(29,487)	(32,068)
-	Purchase of Intangibles		(570)	(1,135)
(32,770)	Net Cash provided (or used in) Investing Activities		(24,926)	(21,845)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		330	707
Payments:				
-	Repayment of Borrowings & Advances		-	(1,222)
-	Repayment of Finance Lease Liabilities		(647)	(641)
-	Dividends Paid to Minority Interests		(430)	(409)
-	Net Cash Flow provided (used in) Financing Activities		(747)	(1,565)
(18,589)	Net Increase/(Decrease) in Cash & Cash Equivalents		(4,638)	1,236
19,257	Cash & Cash Equivalents at beginning of the year	11a	11,182	9,946
668	Cash & Cash Equivalents - end of the year	11a	6,544	11,182

Please refer to Note 11 for information on the following:

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

The above Statement of cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the year ended 30 June 2012

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Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act (1993) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Warringah Council is a not for profit entity for the purpose of preparing the financial statements.

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

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

(iii) Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

• Critical accounting estimates and assumptions

Warringah Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities

within the next financial year are set out below.

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

• Critical judgements in applying the entity's accounting policies

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

(b) Revenue Recognition

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

Council bases its 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.

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

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.

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 is recognised when the Council either obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the

Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note 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 Section 94A of the Environmental Planning & Assessment Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consent 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. A detailed Note relating to developer contributions can be found at Note 17.

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

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.

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

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

(c) Principles of Consolidation

(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

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
- Kimbriki Environmental Enterprises Pty Limited
- Glen Street Theatre
- Curl Curl Sports Centre Management Committee
- Forestville RSL Playing Field Committee
- Wyatt Avenue Tennis Centre

Other joint ventures and associated entities in which Council is involved are included to the extent set out in (iii), Joint Venture.

(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 reports.

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

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) Associates

Associates are all entities over which the Council has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(iv) Joint Venture Jointly Controlled Assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated throughout the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 19.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Council's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(v) County Councils

Council is not a member of any County Councils

(d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or

changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The costs of purchased inventory are determined after deducting rebates and discounts. 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.

(ii) 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 holdings 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) Non-Current "Held for Sale"

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as those arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

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

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

(k) Investments and Other Financial Assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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 are financial assets held for trading. A financial asset is classified in this category if 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 classified as current assets.

(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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in Receivables (Note 7) in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity

financial assets, the whole category would be tainted and reclassified as available-for-sale. 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are 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.

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. In addition, Council may 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l).

Impairment

Council assesses at the end of each reporting period 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. In the case of equity investments classified as available-for-sale, a significant or

prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Ministerial Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds. Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example subordinated debt obligations – however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(l) 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. Other

techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

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

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

At balance date the following classes of IPP&E were stated at their fair value:

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (Internal Valuation)
- Drainage assets – (Internal Valuation)
- Community Land – (Internal Valuation)
- Land Improvements (as approximated by depreciated historical cost).
- Other structures (as approximated by depreciated historical cost).
- Other assets (as approximated by depreciated historical cost).

For all 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.

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant & Equipment

Office Equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles	5 to 8 years
Heavy Plant and	
Road Making equipment	5 to 8 years
Other plant and equipment	5 to 15 years

Other Equipment

Playground equipment	5 to 15 years
Benches, seats etc	10 to 20 years
Park Structures	
- Masonry	50 to 100 years
Park Structures	
- Other Construction	20 to 40 years

Buildings

Buildings – Masonry	50 to 100 years
Buildings – Other	20 to 40 years

Stormwater Drainage

Drains	100 years
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Transportation Assets

Sealed Roads : Surface	20 years
Sealed Roads : Structure	100 years
Bridge : Concrete	100 years
Bridge : Other	100 years
Road Pavements	100 years
Kerb, Gutter & Paths	100 years

Other Assets

Library Books	5 to 15 years
Artworks	Indefinite

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

Capitalisation Thresholds

All items of infrastructure, property, plant and equipment are capitalised with the exception where the cost of acquisition is as follows:

Plant & Equipment

Office Furniture	< \$2,000
Office Equipment	< \$2,000
Other Plant & Equipment	< \$2,000

Land

Land in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) is classified on purchase as either Operational or Community. This classification of Land is disclosed in Note 9(a).

Restricted Assets

Note 9(a) includes property assets at No's 7, 8, 8A & 10 Kimbriki Rd, Ingleside which have been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of the purchase price, which equals \$2.868 million. These assets were acquired during previous reporting periods. As at June 2012, council holds equity in the four (4) properties at Kimbriki Rd, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater councils.

(n) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections.

These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in profit or loss as part of other income. The last revaluation for Council's Investment Properties was dated 30 June 2012.

Investment property includes properties that are under construction for future use as investment properties. These are also carried at fair value unless the fair value can not yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Council has only one property classified as an investment property which is situated at 521 Pittwater Rd Brookvale.

(o) Payables

(i) Goods & Services

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 are unsecured and are usually paid within 30 days of recognition.

(ii) Payments received in advance & deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to

Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

The interest rate that Council will pay on monies held in bonds is 0.20% per annum. (Commonwealth Bank Streamline account.) Only accrued interest amounts over \$1.00 will be paid out.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(q) Borrowing costs

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. Other borrowing costs are expensed.

(r) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable 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.

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the Council are entitled to

benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency.

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 Council's accounts. 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.

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.

Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2012.

(t) Rounding of amounts

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

(u) Land under roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 was derecognised at 1 July 2008 against the opening balance of retained earnings.

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

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

(v) Provisions for close down, restoration and for environmental clean up costs – Tips and Quarries

(i) Restoration

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

(ii) Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions for Close Down, Restoration and Environmental Clean Up costs can be found at Note 26.

(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. 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Warringah Council's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

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

January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules. As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AA SB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be

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

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

(y) Self insurance

Council has determined to self-insure for various risks including public liability and professional indemnity. This is up to a limit of \$150,000 (\$600,000 prior to 1 July 2006) per claim/event for public liability and \$50,000 per claim/event for professional indemnity. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(z) Intangible assets

Alternative Waste Technology
Costs incurred in acquiring licences and rights that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to licensing.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation will be calculated on a straight line basis over the life of the project. Development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(aa) 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 from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(bb) Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise Rural Fire Service assets including land, buildings, plant and vehicles and depreciation charges within the Financial Statements.

(cc) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the 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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(dd) 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).

(ee) 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.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 2(a) FUNCTIONS OR ACTIVITIES

\$ '000

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).

Functions/Activities	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
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Corporate Support	5,797	7,445	8,186	21,219	20,118	17,022	(15,422)	(12,673)	(8,836)	19	350	1,821,397	1,822,651
Good Governance	10	9	121	7,216	6,967	6,913	(7,206)	(6,958)	(6,792)	20	-	-	-
Certification	433	281	355	827	767	773	(394)	(486)	(418)	-	-	-	-
Child Care	5,270	5,106	4,892	6,605	6,745	6,139	(1,335)	(1,639)	(1,247)	635	632	-	-
Community & Safety	1,634	1,758	1,681	6,603	6,076	6,026	(4,969)	(4,318)	(4,345)	159	104	479	504
Compliance	5,457	3,604	3,359	5,578	4,971	5,372	(121)	(1,367)	(2,013)	-	-	-	23
Cultural Services	53	92	56	879	1,096	890	(826)	(1,004)	(834)	-	203	-	858
Development Assessment	1,943	1,593	2,087	5,820	5,572	5,601	(3,877)	(3,979)	(3,514)	-	-	-	-
Glen Street Theatre	2,369	1,623	2,161	3,599	3,172	3,342	(1,230)	(1,549)	(1,181)	-	-	-	-
Information & Library	689	628	601	6,291	6,291	6,128	(5,602)	(5,663)	(5,527)	393	352	1,573	-
Kimbriki Environmental Enterprises	16,088	17,978	14,931	16,230	18,099	15,693	(142)	(121)	(762)	-	7	-	-
Natural Environment	767	825	2,941	9,753	9,629	12,625	(8,986)	(8,804)	(9,684)	459	2,714	237,293	238,708
Parks, Reserves & Foreshores	327	679	973	9,330	9,733	8,922	(9,003)	(9,054)	(7,949)	89	-	73,444	64,930
Roads, Traffic & Waste	20,398	21,978	19,057	27,967	28,665	27,726	(7,569)	(6,687)	(8,669)	1,225	942	344,014	345,267
Strategic Planning	491	625	474	2,399	2,542	1,804	(1,908)	(1,917)	(1,330)	-	-	-	-
Warringah Aquatic Centre	2,309	1,950	2,102	4,008	3,834	3,660	(1,699)	(1,884)	(1,558)	-	-	541	575
Total Functions & Activities	64,035	66,174	63,977	134,324	134,277	128,636	(70,289)	(68,103)	(64,659)	2,999	5,304	2,478,741	2,473,516
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	377	(71)	601	-	-	(601)	377	(71)	-	-	268	849
General Purpose Income ¹	76,075	76,464	73,917	-	-	-	76,075	76,464	73,917	6,021	4,837	-	-
Totals	140,110	143,015	137,823	134,925	134,277	128,636	5,185	8,738	9,187	9,020	10,141	2,479,009	2,474,365
Operating Result attributable to Council							4,254	7,459	8,113				
Operating Result attributable to Minority Interest							931	1,279	1,074				

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

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 2(b) COMPONENTS OF FUNCTIONS OR ACTIVITIES

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

Certification Services

Issue of certificates and approvals (including Construction, Occupations, Strata, Compliance and Building Certificates), as well as conducting principal certifying authority functions.

Children's Services

Long day, mobile occasional and family day care. Provision of programs, events, information and referral for children and their families. Aboriginal services, family and community education and vulnerable family service and support.

Community & Safety Services

Seniors and disabled service and support, beach management, community centre management, community development program and vulnerable service and support.

Compliance Services

Investigate and enforce compliance relating to unlawful building works, unlawful land uses, fire safety and breach of consent. Complaints investigation, public safety and health projects, environmental health, animal management and education.

Corporate Support Services

Costs not otherwise attributed to other services (includes Customer Service, Finance, Human Resources, Information Management & Technology, Procurement and Property and Commercial Development).

Cultural Services

Co-ordination of civic and landmark events (eg Citizenship and Australia Day), community festivals, exhibitions and cultural programs.

Development Assessment Services

Assessment on development and subdivision, advice on development, advice and service on civil engineering.

Glen Street Theatre

Host performing arts professionals, community groups, schools and corporate users.

Good Governance

Corporate planning, strategic advice and support, corruption prevention strategies, community engagement, elected council support, policy development and review and manage complaints service.

Information and Library Services

Public libraries providing lending, information and search services, communal space for study/research and supporting communities information, education, cultural and recreational needs.

Kimbriki Environmental Enterprises

Operation of landfill and recycling from commercial and domestic customers.

Natural Environment

Advice on natural areas and environmental issues, planning and research on environmental sustainability, environmental education and stormwater management.

Parks, Reserves and Foreshores

Management of parks, reserves, foreshores assets including sportsgrounds, playgrounds, rock pools and other recreational facilities.

Roads, Traffic and Waste

Street lighting, collection of commercial and domestic waste, public place cleaning, road network asset maintenance and traffic management.

Strategic Planning

Advice on land use, development and policy.

Warringah Aquatic Centre

Aquatic centre management, providing water safety, water fitness, learn to swim and coaching programs.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 3 INCOME FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2012	Actual 2011
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		53,788	52,004
Business		13,339	12,942
Total Ordinary Rates		67,127	64,946
Special Rates			
Nil			
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		15,992	14,311
Total Annual Charges		15,992	14,311
TOTAL RATES & ANNUAL CHARGES		83,119	79,257
Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
User Charges (pursuant to s.502)			
Waste Management Services (non-domestic)		405	372
Total User Charges		405	372
Fees			
Planning & Building Regulation		1,720	2,434
Regulatory/ Statutory Fees		395	358
Section 149 Certificates (EPA Act)		503	364
Section 603 Certificates		197	204
Section 611 Charges		70	67
Dog Registration		28	52
Road & Shop Inspection		115	141
Child Care		4,924	4,771
Community Centres		1,341	1,296
Glen Street Theatre		1,040	1,462
Kimbriki Waste & Recycling Centre		14,693	13,060
Libraries		211	214
Parking Areas		879	845
Restoration Charges		1,945	1,103
Swimming Centres		1,735	1,862
Other		1,591	1,682
Total Fees		31,387	29,915
TOTAL USER CHARGES & FEES		31,792	30,287

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		226	180
- Interest earned on Investments (interest & coupon payment income)		5,353	5,770
Fair Value Adjustments			
- Fair Valuation Movements in Investments unrealised capital gains/(losses)		(250)	(3)
TOTAL INTEREST & INVESTMENT REVENUE		5,329	5,947
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		226	180
General Council Cash & Investments		3,292	4,119
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94A		1,811	1,648
Total Interest & Investment Revenue Recognised		5,329	5,947
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	50
Rental Income - Investment Properties		191	184
Rental Income - Other Council Properties		2,021	2,197
Ex Gratia Rates		25	15
Parking Fines		1,942	2,044
Other Fines		211	435
Other Fines - Repayment due to SDRO Error		-	(564)
Legal Fees Recovery - Rates & Charges (Extra Charges)		80	86
Legal Fees Recovery - Other		120	106
Insurance Claim Recoveries		302	74
Recycling Income (non domestic)		1,435	1,191
Sales - General		24	19
Sullage Income/Sponsorship		17	29
Waste Performance Improvement		812	716
Other Revenues		2,176	1,042
TOTAL OTHER REVENUE		9,356	7,624

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e) Grants					
General Purpose (Untied)					
Financial Assistance - General Component		3,709	2,875	-	-
Financial Assistance - Local Roads Component		1,510	1,167	-	-
Pensioners' Rates Subsidies - General Component		802	795	-	-
Total General Purpose		6,021	4,837	-	-
Specific Purpose					
Pensioners' Rates Subsidies:					
- Domestic Waste Management		214	226	-	-
Bushfire & Emergency Services		170	160	-	-
Child Care		635	632	-	-
Coast & Estuaries		114	120	-	2,386
Community Care		148	104	-	-
Community Centres		34	-	-	-
Environmental Protection		5	5	-	-
Heritage & Cultural		-	12	-	-
Library		89	89	270	263
Noxious Weeds		43	44	-	-
Recreation & Culture		77	1	64	190
Sport & Recreation		17	-	63	100
Street Lighting		348	334	-	-
Transport (Roads to Recovery)		-	-	608	607
Transport (Other Roads & Bridges Funding)		64	-	-	-
Local Environmental Planning		14	-	-	-
Other		22	31	-	-
Total Specific Purpose		1,994	1,758	1,005	3,546
Total Grants		8,015	6,595	1,005	3,546
Grant Revenue is attributable to:					
- Commonwealth Funding		5,540	4,300	608	2,871
- State Funding		2,475	2,295	397	675
		8,015	6,595	1,005	3,546

Notes to the Financial Statements

for the financial year ended 30 June 2012

NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):					
S 94 - Contributions towards amenities/services		-	-	-	385
S 94A - Fixed Development Consent Levies		-	-	2,531	2,404
Total Developer Contributions	17	-	-	2,531	2,789
Other Contributions:					
Bushfire Services		10	-	-	-
Coast & Estuaries		124	97	-	-
EPA Rebate		-	435	8	-
Other Councils - Joint Works/Services		166	163	-	-
Recreation & Culture		9	-	-	-
RTA Contributions (Regional/Local, Block Grant)		341	245	616	586
Other		12	14	-	-
Total Other Contributions		662	954	624	586
Total Contributions		662	954	3,155	3,375
TOTAL GRANTS & CONTRIBUTIONS		8,677	7,549	4,160	6,921
(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				31,460	33,937
add: Grants and contributions recognised in the current period which have not been spent:				4,774	4,867
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:				(3,941)	(7,344)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period				833	(2,477)
Unexpended at the Close of this Reporting Period and held as Restricted Assets					
				32,293	31,460
Comprising:					
- Specific Purpose Unexpended Grants				700	2,105
- Developer Contributions				31,593	29,032
- Other Contributions				-	323
				32,293	31,460

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 4 EXPENSES FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		43,225	41,495
Employee Termination Costs		234	787
Travelling		35	39
Employee Leave Entitlements (ELE)		5,513	4,425
Superannuation		4,793	4,882
Workers' Compensation Insurance		365	549
Fringe Benefit Tax (FBT)		386	361
Training Costs (other than Salaries & Wages)		851	465
Recruitment Costs		115	184
Other		625	772
Total Employee Costs		56,142	53,959
Less: Capitalised Costs		(1,708)	(1,524)
TOTAL EMPLOYEE COSTS EXPENSED		54,434	52,435
Number of "Full Time Equivalent" Employees at year end		545	554
(b) Borrowing Costs			
Interest on Loans		-	31
Charges on Finance Leases		82	82
Amortisation of Discounts and Premiums			
- Remediation Liabilities		230	217
Less: Capitalised Costs		-	-
TOTAL BORROWING COSTS EXPENSED		312	330

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		8,772	8,625
Contractor & Consultancy Costs			
- Bush Regeneration		886	1,462
- Cleaning		948	939
- Garbage		4,726	4,692
- Recycling		3,381	3,297
- External Roadwork		1,758	851
- Waste Disposal		4,473	4,196
- Other		23,724	22,818
Remuneration of Auditors ⁽¹⁾			
- Audit Services		71	74
- Other Services		5	10
Legal Fees:			
- Planning & Development		597	954
- Other		572	540
Operating Leases:			
- Printers		85	100
Less: Capitalised Costs		(476)	(882)
TOTAL MATERIALS & CONTRACTS		49,522	47,676

(1) During the year the following fees were paid or payable for services provided by the Council's auditors - Hill Rogers Spencer Steer

(i) Audit and other assurance services

Audit and review of financial statements	64	74
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Other assurance services:

- Review of Budget and Long Term Financial Plan	7	-
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Total remuneration for audit and other assurance services	71	74
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(ii) Other services

Attendance at Audit and Risk Committee Meetings	5	10
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Total remuneration for other services	5	10
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Total remuneration of Council's auditors - Hill Rogers Spencer Steer	76	84
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Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Depreciation/Amortisation		Impairment Costs	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		1,756	1,831	-	-
Office Equipment		942	862	-	-
Furniture & Fittings		163	163	-	-
Property, Plant & Equipment - Leased		655	640	-	-
Land Improvements (depreciable)		71	40	-	-
Buildings - Non Specialised		1,884	1,875	-	-
Buildings - Specialised		306	232	-	-
Other Structures		509	521	-	-
Infrastructure:					
- Roads, Bridges & Footpaths		3,581	3,478	-	-
- Stormwater Drainage		3,453	3,375	-	-
Other Assets					
- Library Books		519	508	-	-
Tip Asset	9 & 26	41	41	-	-
Less: Capitalised Costs		-	-	-	-
TOTAL DEPRECIATION & TOTAL IMPAIRMENT		13,880	13,566	-	-

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		692	649
Bad & Doubtful Debts		(12)	(7)
Mayoral Fee		56	54
Councillors' Fees		212	203
Councillors' (incl. Mayor) Expenses - Other (excluding fees above)		113	104
Contributions to Other Levels of Government			
- Planning Levy		269	262
- Waste Levy		4,732	3,822
- Emergency Services Levy		2,854	2,371
- Other Levies		50	388
Contributions & Donations (Section 356)		295	341
Data Services		328	247
Electricity & Heating		2,481	2,221
Insurance		1,467	1,485
Interest on Bonds & Deposits		4	18
SHOROC Contributions		142	138
Street Lighting		1,535	1,504
Telephone & Communications		550	551
Valuation Fees		196	204
Other		165	74
TOTAL OTHER EXPENSES		16,129	14,629

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 5 GAINS OR LOSSES FROM THE DISPOSAL OF ASSETS

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
Plant & Equipment			
Proceeds from Disposal		1,575	2,249
less: Carrying Amount of P&E Assets Sold		(1,370)	(1,888)
Net Gain/(Loss) on Disposal		205	361
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		-	(194)
Net Gain/(Loss) on Disposal		-	(194)
Financial Assets			
Proceeds from Disposal		146,925	143,150
less: Carrying Amount of Financial Assets Sold		(146,925)	(143,150)
Net Gain/(Loss) on Disposal		-	-
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		-	-
less: Carrying Amount of "Held for Sale" Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		205	167

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 6(a) CASH AND CASH EQUIVALENTS

\$ '000	Notes	2012 Actual		2011 Actual	
		Current	Non Current	Current	Non Current
Cash on Hand and at Bank		6,544	-	11,182	-
Total Cash & Cash Equivalents		6,544	-	11,182	-

NOTE 6(b) INVESTMENTS

Financial Assets at fair value through Profit and Loss - Held for Trading ⁽¹⁾	1,998	2,318	1,498	4,623
Held to Maturity Investments	66,539	2,000	69,540	1,000
Total	68,537	4,318	71,038	5,623

Financial Assets at fair value through Profit and Loss - Held for Trading

At beginning of year	1,498	4,623	2,494	7,984
Revaluation to Income Statement	28	(278)	10	(13)
Additions	-	-	-	-
Disposals	(1,500)	(55)	(2,501)	(1,853)
Transfers between Current/Non Current	1,972	(1,972)	1,495	(1,495)
At end of year	1,998	2,318	1,498	4,623

Comprising of:

FRNs	1,998	958	1,498	2,906
Mortgage Backed Securities	-	1,360	-	1,717
	1,998	2,318	1,498	4,623

Held to Maturity Investments

At beginning of year	69,540	1,000	69,213	6,082
Amortisation of discounts and premiums	-	-	-	-
Additions	141,369	2,000	133,041	1,000
Disposals	(145,370)	-	(137,714)	(1,082)
Transfers between Current/Non Current	1,000	(1,000)	5,000	(5,000)
At end of year	66,539	2,000	69,540	1,000

Comprising of:

Term Deposits	65,539	2,000	69,540	-
FRNs	1,000	-	-	1,000
	66,539	2,000	69,540	1,000

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 6(c) RESTRICTED CASH, CASH EQUIVALENTS & INVESTMENTS

\$ '000	Notes	2012		2011	
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments		75,081	4,318	82,220	5,623
External Restrictions (refer below)		28,848	4,318	37,432	5,623
Internal Restrictions (refer below)		9,944	-	9,366	-
Unrestricted		36,289	-	35,422	-
		75,081	4,318	82,220	5,623

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

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (A)	29,032	4,342	(1,781)	31,593
RTA Contributions	323	-	(323)	-
Specific Purpose Unexpended Grants (B)	2,105	431	(1,836)	700
Domestic Waste Management (C)	111	628	-	739
Stormwater Management	5,348	4,689	(10,037)	-
Sportsfield Levy	3,892	1,359	(5,251)	-
Infrastructure Levy	2,041	4,418	(6,459)	-
Subdivision and Duffy's Forest Concurrence	203	-	(69)	134
External Restrictions - Other	43,055	15,867	(25,756)	33,166
Total External Restrictions	43,055	15,867	(25,756)	33,166

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

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

C Domestic Waste Management (DWM) are externally restricted assets and must be applied for the purposes for which they were raised.

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

Internal Restrictions

Beach Parking	118	-	-	118
Compulsory Open Space Acquisition	416	-	(260)	156
Deposits, Retentions & Bonds	4,560	-	(321)	4,239
Employees Leave Entitlement	2,363	-	-	2,363
Insurance	1,033	154	-	1,187
Long Reef SLSC Renewal	171	-	-	171
Narrabeen Lagoon Entrance	515	-	(515)	-
Stormwater Asset Replacement	190	-	(190)	-
Stormwater Management	-	1,183	-	1,183
Sportsfield	-	527	-	527
Infrastructure	-	-	-	-
Total Internal Restrictions	9,366	1,864	(1,286)	9,944
TOTAL RESTRICTIONS	52,421	17,731	(27,042)	43,110

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 7 RECEIVABLES

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	2,048	310	2,072	313
Interest & Extra Charges	198	187	165	184
User Charges & Fees	1,934	-	2,048	-
Accrued Revenues				
- Interest on Investments	983	-	1,331	-
Government Grants & Subsidies	465	-	1,745	-
Net GST Receivable	1,051	-	983	-
Other Debtors	-	-	99	-
Total	6,679	497	8,443	497
less: Provision for Impairment				
Rates & Annual Charges	-	-	-	-
User Charges & Fees	(95)	-	(149)	-
Total Provision for Impairment - Receivables	(95)	-	(149)	-
TOTAL NET RECEIVABLES	6,584	497	8,294	497
Externally Restricted Receivables				
Domestic Waste Management	462	104	405	109
Other				
- Stormwater Levy	-	-	134	-
- Sportsfield Levy	-	-	39	-
- Infrastructure Levy	-	-	126	-
Total External Restrictions	462	104	704	109
Internally Restricted Receivables				
Nil				
Unrestricted Receivables	6,122	393	7,590	388
TOTAL NET RECEIVABLES	6,584	497	8,294	497

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 is charged on overdue rates & charges at 9.00% (2011 9.00%).
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 8 INVENTORIES & OTHER ASSETS

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
Inventories				
Stores & Materials	66	-	70	-
Trading Stock	30	-	20	-
Total Inventories	96	-	90	-
Other Assets				
Prepayments	1,037	-	862	-
Total Other Assets	1,037	-	862	-
TOTAL INVENTORIES & OTHER ASSETS	1,133	-	952	-

(i) Externally Restricted Assets

Water

Nil

Sewerage

Nil

Domestic Waste Management

Nil

Other

Nil

Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	1,133	-	952	-
TOTAL INVENTORIES & OTHER ASSETS	1,133	-	952	-

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 9(a) INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

\$ '000	At 30/6/2011				Asset Movements during the Reporting Period					At 30/6/2012			
	Cost/ Deemed Cost	At Fair Value	Accum Depn & Impairment	Carrying value	Additions	WDV of Disposals	Depn and Impairment	Adjustments & Transfers	Revaluation Increments/ (decrements)	Cost/ Deemed Cost	At Fair Value	Accum Depn & Impairment	Carrying value
Capital Work in Progress	3,745	-	-	3,745	3,354	(68)	-	(3,387)	-	3,644	-	-	3,644
Plant & Equipment	-	11,300	4,934	6,366	2,576	(1,302)	(1,756)	-	-	-	11,435	5,551	5,884
Office Equipment	-	10,899	8,260	2,639	898	-	(942)	176	-	-	11,959	9,188	2,771
Furniture & Fittings	-	2,930	2,310	620	14	-	(163)	-	-	-	2,944	2,473	471
Plant & Equipment (under Finance Lease)	-	1,843	792	1,051	330	-	(655)	1	-	-	1,592	865	727
Land:													
- Operational Land	-	147,124	-	147,124	141	-	-	-	-	-	147,265	-	147,265
- Community Land	-	1,429,191	-	1,429,191	-	-	-	-	-	-	1,429,191	-	1,429,191
- Land Under Roads	-	1,806	-	1,806	-	-	-	-	-	-	1,806	-	1,806
Land Improvements - depreciable	-	23,280	1,111	22,169	1,352	-	(71)	221	-	-	24,853	1,182	23,671
Buildings - Non Specialised	-	193,830	76,825	117,005	3,791	-	(1,884)	(4,106)	-	-	191,103	76,297	114,806
Buildings - Specialised	-	23,184	10,369	12,815	1,064	-	(306)	4,645	-	-	31,306	13,088	18,218
Other Structures	-	53,497	8,240	45,257	7,192	-	(509)	452	-	-	61,142	8,750	52,392
Infrastructure:													
- Roads, Bridges, Footpaths	-	400,787	62,753	338,034	6,681	-	(3,581)	300	-	-	407,769	66,335	341,434
- Stormwater Drainage	-	333,793	94,725	239,068	1,012	-	(3,453)	1,698	-	-	336,503	98,178	238,325
Other Assets:													
- Library Books	-	6,989	5,412	1,577	515	-	(519)	-	-	-	7,505	5,932	1,573
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)													
- Tip Asset	-	2,019	870	1,149	-	-	(41)	-	-	-	2,019	911	1,108
TOTAL	3,745	2,642,472	276,601	2,369,616	28,920	(1,370)	(13,880)	-	-	3,644	2,668,392	288,750	2,383,286

Asset acquisitions were apportioned between

New Assets	10,132
Renewals	18,788
Total Additions	28,920

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 9(b) RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

\$ '000	Actual 2012				Actual 2011			
\$ '000 Class of Asset	At Cost	At Fair Value	Accum Depn & Impairment	Carrying Value	At Cost	At Fair Value	Accum Depn & Impairment	Carrying Value
Domestic Waste Management								
- 35.5% Kimbriki Tip Land		4,476		4,476	-	4,476	-	4,476
Total DWM	-	4,476	-	4,476	-	4,476	-	4,476
Other Restricted Assets								
- 64.5% Kimbriki Tip Land		8,133		8,133	-	8,133	-	8,133
- Non-Cash S94 Contribution		716		716	-	716	-	716
Total Other Restrictions	-	8,849	-	8,849	-	8,849	-	8,849
TOTAL RESTRICTED I,PP&E	-	13,325	-	13,325	-	13,325	-	13,325

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 10(a) PAYABLES, BORROWINGS AND PROVISIONS

\$ '000	Notes	Actual 2012		Actual 2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		1,674	-	4,618	-
Accrued Expenses					
- Wages and Salaries		960	-	781	-
- Borrowings		-	-	-	-
- Other		4,357	600	6,302	400
Payments Received In Advance		1,640	-	1,337	-
Deposits & Retentions		4,239	-	4,560	-
Fringe Benefits Tax Payable		96	-	88	-
Other Payables		800	-	916	-
Total Payables		13,766	600	18,602	400
Current Payables not expected to be settled within the next 12 months					
Deposits & Retentions		2,545	-	2,736	-
Total		2,545	-	2,736	-
Borrowings					
Loans - Secured ⁽¹⁾		-	-	-	-
Finance Lease Liability		491	274	574	508
Total Borrowings		491	274	574	508
Provisions⁽²⁾					
Employee Benefits;					
Annual Leave		3,916	-	3,594	-
Sick Leave		391	-	377	-
Long Service Leave		7,378	1,017	6,699	922
Gratuities		5	35	51	-
Redundancies		204	-	422	-
Sub Total - Aggregate Employee Benefits		11,894	1,052	11,143	922
Self Insurance - Workers Compensation		197	860	248	739
- Public Liability		366	775	191	842
- Other					
Asset Remediation	26	-	4,065	-	3,835
Total Provisions		12,457	6,752	11,582	6,338
Current Provisions not expected to be settled within the next 12 months					
		6,673	-	4,461	-

Notes:

⁽¹⁾Loans are secured over the income of Council

⁽²⁾Vested ELE is all carried as a current provision

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 10(a) PAYABLES, BORROWINGS AND PROVISIONS (continued)

\$ '000	Actual 2012		Actual 2011	
	Current	Non Current	Current	Non Current
Liabilities relating to Restricted Assets				
Externally Restricted Assets				
Domestic Waste Management	633	-	625	-
Sportsfield Levy	-	-	25	-
Stormwater Levy	-	-	2,130	-
Infrastructure Levy	-	-	254	-
Total	633	-	3,034	-
Internally Restricted Assets				
Security Bonds, Deposits & Retentions	4,239	-	4,560	-
Employee Leave Entitlements	2,218	196	2,007	174
Self Insurance Claims - Reserve	197	860	248	739
Total	6,654	1,056	6,815	913
Total Liabilities relating to restricted assets	7,287	1,056	9,849	913

NOTE 10(b) DESCRIPTION OF AND MOVEMENTS IN PROVISIONS

Class of Provision \$'000	Opening Balance	Additional Provisions	Payments	Remeasurement	Closing Balance
Annual Leave	3,594	3,477	(3,193)	38	3,916
Sick Leave	377	389	(375)	-	391
Long Service Leave	7,621	2,040	(1,315)	49	8,395
Gratuities	51	6	(17)	-	40
Redundancies	422	234	(452)	-	204
Self Insurance	2,020	178	-	-	2,198
Asset Remediation	3,835	230	-	-	4,065
TOTAL	17,920	6,554	(5,352)	87	19,209

- 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.
- b. Self Insurance Provisions represent both (i) Claims incurred but not reported and (ii) Claims reported & estimated as a result of Council being a self insurer up to certain levels of Excess. For public liability this limit is \$150,000 (\$600,000 prior to 1 July 2006) per claim/event and for professional indemnity \$50,000 per claim/event.
- c. Asset Remediation Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- d. Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:
- Claims Escalation of between 2.046% and 4% per annum and Bond Yields of between 2.375% and 3.475% per annum over a 12 year period;
 - All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2012;
 - Workers Compensation Claim payments projected into the future by the adopted actuarial model will be in "standardised" values as at June 2012; and
 - The outstanding estimates for Public Liability & Professional Indemnity claims include medical, legal and other claim related costs.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,544	11,182
Balances as per Statement of Cash Flows		6,544	11,182
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		8,738	9,187
Add:			
Depreciation and Amortisation		13,880	13,566
Decrease in Receivables		1,764	-
Increase in Provision for Leave Entitlements		881	277
Increase in Other Provisions		178	677
Increase in Payables		-	2,582
Increase in Other Current Liabilities		45	-
Unwinding of Discount Rates on Reinstatement Provisions		230	217
Fair Value Adjustments to Financial Assets through Profit and Loss		250	3
		25,966	26,509
Less:			
Increase in Receivables		-	(830)
Decrease in Provision for Doubtful Debts		(54)	(44)
Increase in Inventories		(6)	-
Increase in Other Current Assets		(175)	(325)
Increase in Equity Share in Joint Venture		(377)	(71)
Decrease in Payables		(4,114)	-
Decrease in Accrued Interest Payable		-	(20)
Decrease in Other Current Liabilities		-	(346)
Gain on Disposal of Assets		(205)	(167)
Fair Value Adjustments to Investment Property		-	(50)
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from CASH FLOW STATEMENT		21,035	24,656

Notes to the Financial Statements

for the year ended 30 June 2012

Note 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES (Continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Land		-	-
(d) Financing Arrangements			
Unrestricted access was available at balance date to the following:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Corporate Credit Cards		150	150
Bank Guarantee for possible Workers Compensation Claims		1,500	1,500
		2,150	2,150

Notes:

⁽¹⁾The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on Overdrafts and Loans are disclosed in Note 15.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 12 COMMITMENTS FOR EXPENDITURE

\$ '000	Notes	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
- Buildings		2,298	59
- Plant & Equipment		-	64
- Office Equipment		103	30
- Other Structures		1,066	904
- Infrastructure		6,812	3,077
Total		10,279	4,134
(b) Finance Lease Commitments			
Commitments under Finance Leases at the Reporting Date are payable as follows:			
- Not later than one year		533	639
- Later than one year and not later than 5 years		285	539
- Later than 5 years		-	-
Total		818	1,178
Minimum Lease Payments		818	1,178
less: Future Finance Charges		(53)	(96)
Lease Liability		765	1,082
Representing lease liabilities			
- Current Liabilities		491	574
- Non-Current Liabilities		274	508
Total		765	1,082
(d) Non-cancellable Operating Lease Commitments			
- Not later than one year		109	79
- Later than one year and not later than 5 years		37	79
- Later than 5 years		-	-
Total		146	158

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 13 STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS

\$ '000	Amounts	Indicator	2011	2010
	2012	2012		
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	56,432	3.35	2.74	3.14
Current Liabilities less Specific Purpose Liabilities ^(2,3)	16,863			
2. Debt Service Ratio				
Debt Service Cost	729	0.54%	1.54%	4.07%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	136,199			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	83,119	58.12%	57.51%	56.79%
Revenue from Continuing Operations	143,015			
4a. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,743	3.18%	3.31%	3.85%
Rates, Annual & Extra Charges Collectible	86,159			
4b. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage *				
Rates, Annual & Extra Charges Outstanding	2,036	2.36%	2.51%	3.06%
Rates, Annual & Extra Charges Collectible	86,159			
* It is Council's policy not to pursue pensioners for outstanding Rates. This calculation is used to demonstrate to users the effect of actively pursuing outstanding amounts from pensioners.				
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	14,126	154.60%	186.13%	168.74%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	9,137			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

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

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 14 INVESTMENT PROPERTIES

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value		2,100	2,100
Investment Properties on Hand		2,100	2,100
Reconciliation of Annual Movement:			
Opening Balance		2,100	2,050
- Net Gain/(Loss) from Fair Value Adjustments		-	50
CLOSING BALANCE - INVESTMENT PROPERTIES		2,100	2,100

(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 2012 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd., Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

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

Within 1 year	193	182
Later than 1 year but less than 5 years	498	649
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	691	831

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments	184	177
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Direct Operating Expenses on Investment Properties:

- that generated rental income	(22)	(21)
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Net Revenue Contribution from Investment Properties	162	156
--	------------	------------

plus:

Fair Value Movement for year	-	50
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Total Income attributable to Investment Properties	162	206
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Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 15 FINANCIAL RISK MANAGEMENT

Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk. 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.

Council held the following financial instruments at balance date:

\$'000	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	6,544	11,182	6,544	11,182
Receivables	7,081	8,791	7,081	8,791
Financial Assets at Fair value through profit or loss - Held for Trading	4,316	6,121	4,316	6,121
Held-to-Maturity Investments	68,539	70,540	68,539	70,540
Total Financial Assets	86,480	96,634	86,480	96,634
Financial Liabilities				
Payables	12,726	17,665	12,726	17,665
Loans / Advances	765	1,082	765	1,082
Total Financial Liabilities	13,491	18,747	13,491	18,747

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles.
- **Financial Assets classified at Fair Value through profit and loss** - based upon quoted market prices in active markets for identical investments.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

\$ '000

(a) Cash and Cash Equivalents

Financial Assets at Fair Value through the Profit and Loss

Held-to-Maturity Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Financial Section manages its Cash & Investments portfolio with the assistance of independent advisors. Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. The Policy is regularly reviewed by Council and an Investment Report provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

Another risk associated with cash and investments is credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to Council. Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

\$'000	2012	2011
Impact of a 10% ⁽¹⁾ movement in price of Investments		
- Equity	432	612
- Income Statement ⁽²⁾	432	612
Impact of a 1% ⁽¹⁾ movement in Interest Rates on Cash and Investments		
- Equity	794	878
- Income Statement ⁽²⁾	794	878

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and FRNs.)
Recent market volatility has seen larger market movements for certain types of investments.

⁽²⁾ Maximum impact.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

(b) Receivables

Council's major receivables comprise Rates & Annual Charges and 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. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

Credit risk on Rates and Annual Charges is minimised by the ability of Council to recover these debts as a secured charge over the land that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue Rates & Annual Charges which further encourages payment.

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

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

The profile of Council's credit risk at balance date was:

\$'000	2012	2011
Percentage of Rates and Annual Charges		
- Current	-	-
- Overdue	100%	100%
Percentage of Other Receivables		
- Current	91%	77%
- Overdue	9%	23%

Notes to the Financial Statements

for the year ended 30 June 2012

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 be extended and overdraft facilities can be drawn down in extenuating circumstances.

The contractual undiscounted cash outflows of Council's Payables & Borrowings are set out in the Liquidity Sensitivity Table below:

\$'000	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
2012					
Payables	12,126	600	-	12,726	12,726
Borrowings	533	285	-	818	765
Total Financial Liabilities	12,659	885	-	13,544	13,491
2011					
Payables	17,265	400	-	17,665	17,665
Borrowings	639	539	-	1,178	1,082
Total Financial Liabilities	17,904	939	-	18,843	18,747

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

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

	2012		2011	
	Weighted Average Interest Rate	Balance \$'000	Weighted Average Interest Rate	Balance \$'000
Overdraft	-	-	-	-
Bank Loans - Fixed	0.0%	-	0.0%	-
- Variable ⁽¹⁾	0.0%	-	0.0%	-
		-		-

⁽¹⁾ The interest rate risk applicable to Variable Rate Bank Loans is not considered significant.

Notes to the Financial Statements

for the financial year ended 30 June 2012

NOTE 16 MATERIAL BUDGET VARIATIONS

Council's Original Financial Budget for 2011/12 was incorporated as part of its Strategic Community Plan and was adopted by the Council on 28 June 2011.

While the Income Statement included in these General Purpose Financial Statements 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 variations between actuals and 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.

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

Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance -----		
REVENUES					
Rates & Annual Charges	82,872	83,119	247	0%	F
User Charges & Fees	33,393	31,792	(1,601)	(5%)	U
Interest & Investment Revenue	4,687	5,329	642	14%	F
This variance is principally due to the strong performance of the Council's investment portfolio which has exceeded the bank bill benchmark return by over 1% and higher than anticipated cash balances due to lower than budgeted expenditure on Capital Projects.					
Other Revenues	7,998	9,356	1,358	17%	F
This variance is principally due to higher Recycling Income in Kimbriki Environmental Enterprises P/L					
Operating Grants & Contributions	7,139	8,677	1,538	22%	F
This variance is principally due to the receipt of an additional instalment of the 2012/13 Financial Assistance Grant.					
Capital Grants & Contributions	3,861	4,160	299	8%	F
Net Gains on the Disposal of Assets	160	205	45	28%	F
This gain reflects the positive nature of the disposal of Council's fleet vehicles which was higher than anticipated.					
Share of Net Gain - Joint Ventures & Associates	-	377	377	0%	F
This variance relates to a higher than anticipated contribution from the NSW Rural Fire Service.					
EXPENSES					
Employee Benefits & On-Costs	57,497	54,434	3,063	(5%)	F
This positive variance is due to productivity gains and consequential vacancies which have not been filled in a number of services.					
Borrowing Costs	306	312	(6)	2%	U
Materials & Contracts	46,990	49,522	(2,532)	5%	U
Depreciation & Amortisation	13,889	13,880	9	(0%)	F
Other Expenses	15,642	16,129	(487)	3%	U

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council.

All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Traffic Facilities	941	-	-	56	-	-	997	-	(997)	-	-
Parking	5,448	-	-	331	-	-	5,779	-	(5,779)	-	-
Open Space	11,690	-	-	692	-	-	12,382	-	(12,382)	-	-
Community Facilities	4,151	-	-	257	(151)	-	4,257	-	(4,257)	-	-
Other	2,376	-	-	143	-	-	2,519	-	(2,519)	-	-
S94 Contributions - under a Plan	24,606	-	-	1,479	(151)	-	25,934	-	(25,934)	-	-
S94A Levies - under a Plan	4,333	2,531	-	330	(1,630)	-	5,564	10,000	(15,564)	-	-
Total S94 Revenue Under Plans	28,939	2,531	-	1,809	(1,781)	-	31,498	10,000	(41,498)	-	-
S94 not under Plans	809	-	-	2	-	-	811	-	(811)	-	-
Total Contributions	29,748	2,531	-	1,811	(1,781)	-	32,309	10,000	(42,309)	-	-
Less: Land	(716)	-	-	-	-	-	(716)	-	716	-	-
Total Cash Contributions	29,032	2,531	-	1,811	(1,781)	-	31,593	10,000	(41,593)	-	-

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Traffic Facilities	941	-	-	56	-	-	997	-	(997)	-	-
Parking	5,448	-	-	331	-	-	5,779	-	(5,779)	-	-
Open Space	11,690	-	-	692	-	-	12,382	-	(12,382)	-	-
Community Facilities	4,151	-	-	257	(151)	-	4,257	-	(4,257)	-	-
Other	2,376	-	-	143	-	-	2,519	-	(2,519)	-	-
Total	24,606	-	-	1,479	(151)	-	25,934	-	(25,934)	-	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Other	4,333	2,531	-	330	(1,630)	-	5,564	10,000	(15,564)	-	-
Total	4,333	2,531	-	330	(1,630)	-	5,564	10,000	(15,564)	-	-

S94 LEVIES - NOT UNDER A PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Drainage	42	-	-	2	-	-	44	-	(44)	-	-
Child Care Reserve-Austlink	48	-	-	-	-	-	48	-	(48)	-	-
Other	3	-	-	-	-	-	3	-	(3)	-	-
Land	716	-	-	-	-	-	716	-	(716)	-	-
Total	809	-	-	2	-	-	811	-	(811)	-	-

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 18 CONTINGENCIES

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

CONTINGENT LIABILITIES

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

"The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2012 was \$1,304,437. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30 June 2012 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions in the total employer contribution advised above is \$588,369.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years. The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) WorkCover

Council has provided a \$1.5 million guarantee to WorkCover as a provision for all known liabilities disclosed in an Actuarial Report prepared by David Zaman Pty Ltd. as at 28 May 2012.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Section 94 and 94A Contributions upon various developments across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans. As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Legal Expenses

Council is ordinarily the planning consent authority for its area under the Environmental Planning & Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In class 4 (or judicial review) proceedings, costs usually follow the event.

At the date of these reports, Council had notice of four (4) appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Council is involved in other litigation (including other Land and Environment Court proceedings, civil liability proceedings and Local Court prosecutions). Whilst these matters are unlikely to cost Council in excess of \$100,000 individually (subject to the comments below), the amount of further costs cannot be known until these proceedings are concluded. In relation to these other

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 18 CONTINGENCIES (Continued)

proceedings it is noted that Council is involved in a Supreme Court matter, the hearing of which has concluded and a Environment Court Class 4 matter where proceedings have not concluded. Council's maximum exposure to costs is the limit of its excess of \$50,000 in each matter.

(iv) Potential Land Acquisitions due to Planning

Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland. As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels. At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

CONTINGENT ASSETS

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement Notices/Fines

Fines and Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau. Councils Revenue Recognition policy for such income is to account for it as revenue on receipt. Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

(iii) Building Commencements

There were no current construction certificates on hand awaiting collection.

There is still building activity that may have commenced without proper approval and payment of appropriate fees. However, the number has dropped significantly due to ongoing investigations and monthly audits that were implemented to monitor the possibility of further unlawful works.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 19 INTERESTS IN SUBSIDIARIES AND JOINT VENTURES

Council's objectives can and in some cases are best met through the use of separate entities and operations. These operations and entities range from 51% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils. The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Council's interest and control and the type of entity as follows:

Subsidiary

Note 19(a)

Operational Arrangements where Council's ownership exceeds 50%

Joint Venture Entities

Note 19(b)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under the Joint Venture Entities, Council jointly controls the operations with other parties.

Accounting Recognition:

- (i) The subsidiary disclosed under Note 19(a), is accounted for on a Consolidation basis within the Income and Balance Sheet.
- (ii) Joint Venture Entities as per Notes 19(b) are accounted for using the Equity Accounting Method - and are disclosed as a one line entry in the Income Statement and Balance Sheet.

(a) Subsidiary

Council is the majority shareholder in Kimbriki Environmental Enterprises Pty Limited. The company commenced operating its waste and recycling business on 1 July 2009 with a lease over the site for a period of 25 years. The minority shareholders in the company are Manly, Mosman and Pittwater Councils.

\$ '000	Notes	Actual 2012	Actual 2011
Current Assets			
Cash and Cash Equivalents		2,256	2,034
Investments		10,539	9,540
Receivables		1,590	1,343
Total Current Assets		14,385	12,917
Non-Current Assets			
Infrastructure, Property, Plant & Equipment		2,123	1,764
Intangibles		1,840	1,270
Total Non-Current Assets		3,963	3,034
Total Assets		18,348	15,951
Current Liabilities			
Payables		2,044	1,756
Provisions		491	315
Total Current Liabilities		2,535	2,071
Non-Current Liabilities			
Payables		600	400
Total Non-Current Liabilities		600	400
Total Liabilities		3,135	2,471
Net Assets		15,213	13,480
Equity			
Share Capital		10,033	10,033
Retained Earnings		5,180	3,447
Total Equity		15,213	13,480
Share of Subsidiary's revenue, expenses and results			
Revenues		11,454	9,877
Expenses		10,122	8,758
Operating Result		1,331	1,119
Share of Subsidiary's commitments			
Expenditure Commitments		4,016	7,074
Operating Lease Commitments		20,940	19,982
Other Commitments		1,567	861
Total Commitments		26,523	27,917

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 19 INTERESTS SUBSIDIARIES AND JOINT VENTURES (continued)

(b) Joint Venture Entity

Council has a Joint Venture with Pittwater Council for the Warringah - Pittwater District Rural Fire Service.

\$ '000	Notes	Actual 2012	Actual 2011
Current Assets			
Cash and Cash Equivalents		1,091	676
Receivables		1	-
Total Current Assets		1,092	676
Non-Current Assets			
Infrastructure, Property, Plant & Equipment		134	173
Total Non-Current Assets		134	173
Total Assets		1,226	849
Current Liabilities			
Payables		-	-
Total Current Liabilities		-	-
Total Liabilities		-	-
Net Assets		1,226	849
Share of Joint Venture's revenue, expenses and results			
Revenues		1,060	833
Expenses		683	762
Operating Result		377	71
Share of Joint Venture's commitments			
Expenditure Commitments		-	-
Total Commitments		-	-

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 20 RETAINED EARNINGS AND REVALUATION RESERVES

\$ '000	Notes	Actual 2012	Actual 2011
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year		2,318,827	3,481,267
Adjustment to correct Prior Period Errors	20(d)	-	-
Adjustment for Changes in Accounting Policies	20(e)	-	(1,170,553)
Net Operating Result for the Year		7,459	8,113
Balance at end of Year		2,326,286	2,318,827
(b) Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve		110,929	110,929
Total		110,929	110,929
Movements			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
Balance at beginning of Year		110,929	90,296
Adjustment to correct Prior Period Errors	20(d)	-	-
Revaluations for the year	9(a)	-	20,633
Balance at end of Year		110,929	110,929
(c) Nature and Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.			
(d) Correction of Errors in Previous Periods			
There has not been any correction of errors in previous periods			
(e) Changes in Accounting Policies			
Adjusted to Retained Earnings			
First time adoption of the valuation of Land Under Roads acquired for periods after 1 July 2008		-	1,806
Change in methodology in Valuing Community Land - Council has revalued its Community Land during the financial year. In doing so the methodology has been changed to value the Community Land at the actual Valuer General rate or where this was not available an average rate using the Valuer General rates for Community Land within the Local Government Area. This is not the initial application of the accounting policy to revalue assets and consistent with previous revaluations has been adjusted against Retained Earnings.		-	(1,172,359)
Total		-	(1,170,553)

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 21 RESULTS BY FUND

Council does not have any Water or Sewer Funds.

NOTE 22 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

\$ '000	Actual 2012		Actual 2011	
	Current	Non Current	Current	Non Current
Land	2,571	-	2,571	-
Buildings	373	-	373	-
Total Non Current Assets "Held for Sale"	2,944	-	2,944	-

Reconciliation of Non Current Assets "Held for Sale"

Opening Balance	2,944		2,944	-
less: Carrying Value of Assets/Operations Sold	-		-	-
Balance still unsold after 12 months:	2,944	-	2,944	-
plus New Transfer in:				
Assets "Held for Sale"	-	-	-	-
Closing Balance of "Held for Sale"				
Non Current Assets & Operations	2,944	-	2,944	-

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 23 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 29 August 2012.

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

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

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

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

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

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

NOTE 24 DISCONTINUED OPERATIONS

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

NOTE 25 INTANGIBLE ASSETS

\$ '000	Notes	Actual 2012	Actual 2011
At Cost		1,840	1,270
Accumulated Amortisation & Impairment		-	-
Net Book Amount		1,840	1,270
Movements for the year			
Opening Net Book Amount		1,270	135
Additions - internal development		570	1,135
Amortisation Charge		-	-
Closing Net Book Amount ⁽¹⁾		1,840	1,270

Notes:

⁽¹⁾Development costs relating to gaining planning approvals for the right to build an alternate/advanced waste facility on the Kimbriki site.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 26 REINSTATEMENT, REHABILITATION & RESTORATION LIABILITIES

\$ '000	Note		
Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations;			
Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Recycling Tip	2030	4,065	3,835
Balance at End of the Reporting Period	10	4,065	3,835

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- Estimation of the closure and post closure cost was limited to the extent that there was uncertainty in the cost amount. It was assumed that the closure and post closure costs would be incurred
- The probabilistic approach used in the remediation plan assumes that there is virtually no upper limit to the cost distributions used in the model and that for each cost estimate distribution that higher costs have lower likelihoods of being incurred. The costs are estimates and there is some chance (extremely low) that the costs could be substantially exceeded.
- Environmental laws and relevant codes, guidelines and standards of any authority, applicable at the time the remediation plan was undertaken continue to apply.

Reconciliation of movement in Provision for year:

Balance at beginning of year	3,835	3,618
Revised Costs	-	-
Effect of a change in discount rates used in PV calculations	-	-
Amortisation of discount (expensed to borrowing costs)	230	217
Total - Reinstatement, rehabilitation and restoration provision	4,065	3,835

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Notes to the Financial Statements

for the year ended 30 June 2012

NOTE 27 ADDITIONAL DISCLOSURES - COUNCIL INFORMATION AND CONTACT DETAILS

Principal Place of Business:

725 Pittwater Road
Dee Why NSW 2099

Contact Details

Mailing Address:

DX 9118
Dee Why NSW 2099

Telephone: 02 9942 2111

Facsimile: 02 9971 4522

Officers

GENERAL MANAGER

Rik Hart

RESPONSIBLE ACCOUNTING OFFICER

David Walsh

PUBLIC OFFICER

John Warburton

AUDITORS

Hill Rogers Spencer Steer

Other Information

ABN: 31 565 068 406

Opening Hours

Monday to Friday
8.30am - 5.00pm

Internet: www.warringah.nsw.gov.au

Email: council@warringah.nsw.gov.au

Elected Members

MAYOR

Michael Regan

COUNCILLORS

Michelle Ray

Jason Falinski

Vincent De Luca OAM

Bob Giltinan

Dr Christina Kirsch

Dr Helen Wilkins

Dr Conny Harris

Virginia Laugesen

Julie Sutton

INDEPENDENT AUDITORS' REPORT

for the year ended 30 June 2012

GENERAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of Warringah Council, which comprises the Balance Sheet as at 30 June 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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



G V STEER
Partner

Dated at Sydney this 29th day of August 2012

The Mayor

Warringah Council
Pittwater Road
DEE WHY NSW 2099

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our 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 accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

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

1. RESULTS FOR THE YEAR**1.1 Operating Result**

The operating result for the year was a surplus of \$7.459 million as compared with \$8.113 million in the previous year.

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

	2012	% of	2011	% of	Increase
	Total	Total	Total	Total	(Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	83,119	60%	79,257	61%	3,862
User charges, fees & other revenues	41,730	30%	38,149	29%	3,581
Grants & contributions provided for operating purposes	8,677	6%	7,549	6%	1,128
Interest & investment revenue	5,329	4%	5,947	5%	(618)
	138,855	100%	130,902	100%	7,953
Expenses					
Employee benefits & costs	54,434	41%	52,435	41%	1,999
Materials, contracts & other expenses	65,651	49%	62,305	48%	3,346
Depreciation, amortisation & impairment	13,880	10%	13,566	11%	314
Borrowing costs	312	0%	330	0%	(18)
	134,277	100%	128,636	100%	5,641
Surplus before capital items	4,578		2,266		2,312
Grants & contributions provided for capital purposes	4,160		6,921		(2,761)
Surplus before minority interests	8,738		9,187		(449)
Attributable to Minority Interests	(1,279)		(1,074)		(205)
Net Surplus for the year	7,459		8,113		(654)

1.2 Funding Result

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

	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	7,459	8,113
Add back non funding items:-		
- Depreciation, amortisation & impairment	13,880	13,566
- Book value of non-current assets sold	1,370	2,082
- (Gain)/Loss of fair value to investment properties	0	(50)
- (Surplus)/Deficit in joint ventures	(377)	(71)
	22,332	23,640
Decrease/Redemption in Non-current Investments	1,305	8,443
Finance Leases	330	707
Transfers from externally restricted assets (net)	6,425	0
Transfers from internal reserves (net)	0	7,942
Increase in minority interests	849	665
Net Changes in current/non-current assets & liabilities	1,168	1,179
	32,409	42,576

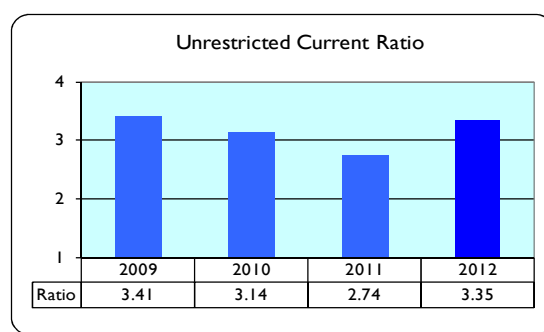
Funds were applied to:-

Purchase and construction of assets	(29,490)	(33,939)
Principal repaid on loans	0	(1,222)
Finance lease instalments	(647)	(641)
Transfers to externally restricted assets (net)	0	(4,397)
Transfers to internal reserves (net)	(578)	0
	(30,715)	(40,199)
Increase/(Decrease) in Available Working Capital	1,694	2,377

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 \$39.569 million representing a factor of 3.35 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$37.594million as detailed below;

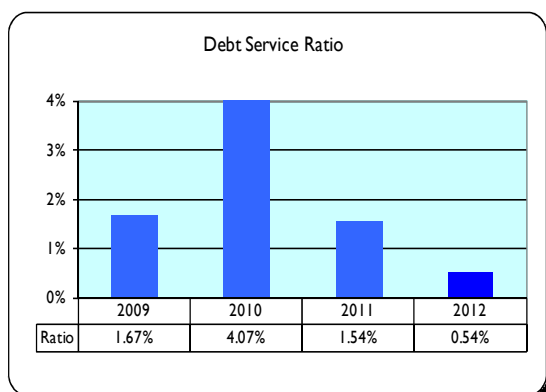
	2012	2011	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	59,028	63,652	(4,624)
Add: Payables & provisions not expected to be realised in the next 12 months included above	9,218	7,197	2,021
Adjusted Net Current Assets	68,246	70,849	(2,603)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	491	574	(83)
- Employees leave entitlements	5,221	6,682	(1,461)
- Self insurance claims	563	439	124
- Deposits & retention moneys	1,694	1,824	(130)
Less: Externally restricted assets	(28,677)	(35,102)	6,425
Less: Internally restricted assets	(9,944)	(9,366)	(578)
Available Working Capital as at 30 June	37,594	35,900	1,694

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

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.54%. The increase is attributable to the early repayment of loans.

After repaying principal and interest of \$1.976 million, total debt as at 30 June 2011 stood at \$1.082 million (2010 - \$2.238 million).



2.4 Summary

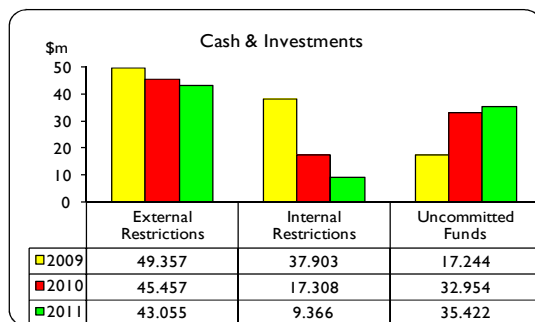
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investment Securities

Cash and investments amounted \$79.399 million at 30 June 2012 as compared with \$87.843 million in 2011 and \$95.719 million in 2010.

The chart below 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 (\$31.593 million), domestic waste management charges (\$739,000) and specific purpose grants and contributions (\$834,000).

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 \$9.944 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$36.289 million, which is available to provide liquidity for day to day operations and forms the basis of Council's sound financial position.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$4.638 million to \$6.544 million at the close of the year.

In addition to operating activities which contributed net cash of \$21.035 million were the proceeds from the sale of investment securities (\$146.925 million), sale of assets (\$1.575 million) and new finance lease commitments (\$330,000). Cash outflows other than operating activities were used to purchase investment securities (\$143.369 million), pay finance lease instalments (\$647,000), pay dividends to minority interests in Kimbriki Environmental Enterprises Pty Limited (\$430,000) and to purchase and construct assets (\$30.057 million).

4. RECEIVABLES

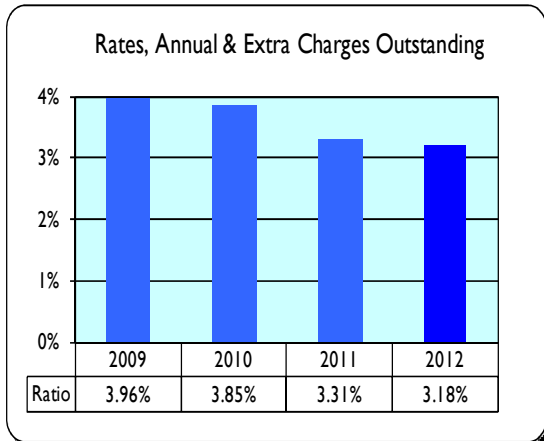
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$83.119 million and represented 58.12% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$85.504 million of which \$83.146 million (97.24%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.743 million at the end of the year and represented 3.18% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$4.433 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$95,000.

5. PAYABLES

5.1 Self Insurance

Workers Compensation insurance claims have been actuarially assessed at \$1.057 million (2011 - \$987,000) and a bank guarantee of \$1.5 million is held to cover these claims as required by the Workcover Authority of NSW.

Public Liability & Professional Indemnity claims payable by Council (ie up to the excess layer) have been actuarially assessed at \$1.141 million (2011 - \$1.033 million) and is fully funded with internally restricted cash and investments.

5.2 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$12.946 million. Internally restricted cash and investments of \$2.363 million was held representing 18.25% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

5.3 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.239 million and were fully funded by internally restricted cash and investments.

6. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 2 May 2012. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

7. CONCLUSION

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

Yours faithfully,

Yours faithfully,

HILL ROGERS SPENCER STEER

G V STEER
Partner

Warringah Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*Leading our community
Creating our future
Protecting our environment*



SPECIAL PURPOSE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012

CONTENTS	PAGE	BACKGROUND
1. Statement by Councillors & Management	65	(i) The 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.
2. Special Purpose Financial Reports:		(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market 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.
- Income Statement of Other Business Activities	66	(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).
- Balance Sheet of Other Business Activities	68	(iv) In preparing these financial reports 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).
3. Notes to the Special Purpose Financial Reports	70	
4. Auditor's Report	72	

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"
- 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

To the best of our knowledge and belief, these Reports:

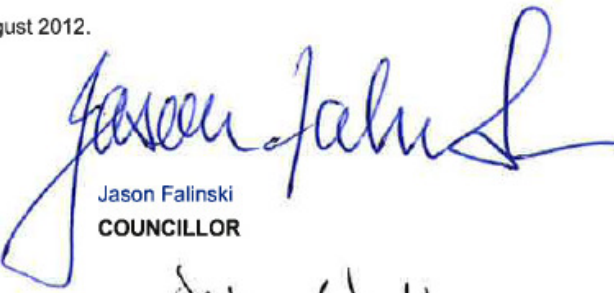
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.


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

Signed in accordance with a resolution of Council made on 28 August 2012.


Michael Regan
MAYOR


Rik Hart
GENERAL MANAGER


Jason Falinski
COUNCILLOR


David Walsh
RESPONSIBLE ACCOUNTING OFFICER

SPECIAL PURPOSE FINANCIAL STATEMENTS

Income Statement of Council's Other Business Activities

for the year ended 30 June 2012

	Children Services		Kimbriki	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
Access charges	4,507	4,329	19,530	16,841
User charges	-	-	-	-
Fees	-	-	-	-
Interest	-	-	658	635
Grants and contributions provided for non capital purposes	531	469	520	442
Profit from the sale of assets	-	-	31	9
Other income	10	-	1,719	1,439
Total income from continuing operations	5,048	4,798	22,458	19,366
Expenses from continuing operations				
Employee benefits and on-costs	4,099	3,762	2,805	2,478
Borrowing costs	-	-	-	-
Materials and contracts	756	666	9,628	8,663
Depreciation and impairment	212	223	270	157
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1	8	7,145	5,875
Total expenses from continuing operations	5,068	4,659	19,848	17,173
Surplus (deficit) from Continuing Operations before capital amounts	(20)	139	2,610	2,193
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(20)	139	2,610	2,193
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(20)	139	2,610	2,193
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(42)	(783)	(658)
SURPLUS (DEFICIT) AFTER TAX	(20)	97	1,827	1,535
plus Opening Retained Profits	2,720	2,581	13,480	12,123
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Allocation Adjustments related to IPPE	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	42	783	658
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	(877)	(836)
Closing Retained Profits	2,700	2,720	15,213	13,480
Return on Capital %	-0.6%	4.5%	122.9%	124.3%
Subsidy from Council	119	28	-	-

SPECIAL PURPOSE FINANCIAL STATEMENTS

Income Statement of Council's Other Business Activities

for the year ended 30 June 2012

	Glen Street Theatre		Construction Certificate Certification	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	281	355
Fees	1,601	2,156	-	-
Interest	22	62	-	-
Grants and contributions provided for non capital purposes	3	624	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	1,627	2,842	281	355
Expenses from continuing operations				
Employee benefits and on-costs	1,156	1,069	480	422
Borrowing costs	-	-	-	-
Materials and contracts	907	1,231	72	346
Depreciation and impairment	181	187	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	338	331	74	5
Total expenses from continuing operations	2,582	2,818	626	773
Surplus (deficit) from Continuing Operations before capital amounts	(955)	24	(345)	(418)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(955)	24	(345)	(418)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(955)	24	(345)	(418)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(7)	-	-
SURPLUS (DEFICIT) AFTER TAX	(955)	17	(345)	(418)
plus Opening Retained Profits	2,025	2,001	107	107
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Allocation Adjustments related to IPPE	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	7	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	345	418
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,070	2,025	107	107
Return on Capital %	-19.5%	0.5%	-322.4%	-390.7%
Subsidy from Council	1,104	293	348	424

SPECIAL PURPOSE FINANCIAL STATEMENTS

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Children Services Category 1		Kimbriki Category 1	
	Actual	Actual	Actual	Actual
	2012	2011	2012	2011
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	2,256	2,034
Investments	-	-	10,539	9,540
Receivables	-	-	1,590	1,343
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	529	529	-	-
Total Current Assets	529	529	14,385	12,917
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	3,100	3,120	2,123	1,764
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	1,840	1,270
Total Non-Current Assets	3,100	3,120	3,963	3,034
TOTAL ASSETS	3,629	3,649	18,348	15,951
LIABILITIES				
Current Liabilities				
Payables	-	-	2,044	1,756
Interest bearing liabilities	-	-	-	-
Provisions	-	-	491	315
Total Current Liabilities	-	-	2,535	2,071
Non-Current Liabilities				
Payables	-	-	600	400
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	600	400
TOTAL LIABILITIES	-	-	3,135	2,471
NET ASSETS	3,629	3,649	15,213	13,480
EQUITY				
Retained earnings	2,700	2,720	15,213	13,480
Revaluation reserves	929	929	-	-
Council equity interest	3,629	3,649	15,213	13,480
Minority equity interest	-	-	-	-
TOTAL EQUITY	3,629	3,649	15,213	13,480

SPECIAL PURPOSE FINANCIAL STATEMENTS

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

	Glen Street Theatre		Construction Certificate Certification	
	Category 1		Category 2	
	Actual	Actual	Actual	Actual
\$ '000	2012	2011	2012	2011
ASSETS				
Current Assets				
Cash and cash equivalents	678	1,444	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	8	5	-	-
Other	51	201	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	737	1,650	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,891	5,065	107	107
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	4,891	5,065	107	107
TOTAL ASSETS	5,628	6,715	107	107
LIABILITIES				
Current Liabilities				
Payables	756	802	-	-
Interest bearing liabilities	-	-	-	-
Provisions	9	95	-	-
Total Current Liabilities	765	897	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	765	897	-	-
NET ASSETS	4,863	5,818	107	107
EQUITY				
Retained earnings	1,070	2,025	107	107
Revaluation reserves	3,793	3,793	-	-
Council equity interest	4,863	5,818	107	107
Minority equity interest	-	-	-	-
TOTAL EQUITY	4,863	5,818	107	107

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2012

Note 1

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFS for National Competition Policy reporting purposes follows:

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by the Council and the Division of Local Government. For the purposes of these statements, the Council is not a reporting entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretation. 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. They are based on historic costs and do not take into account changing money values, or except where specifically stated, current values of non-current assets. 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 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)

Children Services - Child Care and Long Day Care

Kimbriki Environmental Enterprises Pty Limited - Domestic & Commercial Waste Management

Glen Street Theatre - Council's local Theatre

Category 2

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

Construction Certificate Certification - Construction Certificate Certification activity of the Urban Development Approval Service (part of Council's Local Approval Service Unit)

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. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Statements) just like all other costs. However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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 \$396,000 of combined land values attracts 0%. From \$396,001 to \$2,421,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$678,000 from 1 July 2011 to 30 June 2012.

Income Tax

An income tax equivalent has been applied on the profits of the business. 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 the 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 the GPFS. 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. The overall effect of subsidies is contained within the Income Statement of Business Activities.

(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". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return achieved is disclosed for each of Council's business activities on the Income Statement.

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2012

Note 1

The Rate of Return on Capital is calculated as follows:

**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 3.04% at 30 June 2012.

(iv) Dividends

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

INDEPENDENT AUDITORS' REPORT

for the year ended 30 June 2012

SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **special purpose financial statements** of **Warringah Council**, which comprises the Balance Sheet as at 30 June 2012, 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 Division 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.

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 Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



G V STEER
Partner

Dated at Sydney this 29th day of August 2012

Warringah Council

SPECIAL SCHEDULES

for the year ended 30 June 2012

*Leading our community
Protecting our environment
Creating our future*



SPECIAL SCHEDULES

for the financial year ended 30 June 2012

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¹ Special Purpose Schedules are not audited.

BACKGROUND

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as the:

- NSW Grants Commission
- Australian Bureau of Statistics (ABS),
- Department of Premier & Cabinet, Division of Local Government (DLG).
- Department of Environment, Climate Change and Water (DECCW)

(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 specific service financial activities

SPECIAL SCHEDULES

for the financial year ended 30 June 2012

Special Schedule No. 1 - Net Cost of Services

\$'000	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net Cost of Services
Function or Activity				
Governance	4,683	53	-	(4,630)
Administration	40,781	4,507	3,710	(32,564)
Public Order and Safety				
Fire Service Levy, Fire protection, Emergency Services	388	378	-	(10)
Beach Control	360	22	-	(338)
Enforcement of Local Govt Regs	1,504	2,277	-	773
Animal Control	159	34	-	(125)
Other	230	-	-	(230)
Total Public Order and Safety	2,641	2,711	-	70
Health	524	147	-	(377)
Environment				
Noxious Plants and Insects/ Vermin Control	771	103	-	(668)
Other Environmental Protection	4,466	473	135	(3,858)
Solid Waste Management	12,741	17,447	-	4,706
Street Cleaning	768	4	-	(764)
Drainage	439	3	-	(436)
Stormwater Management	2,571	362	-	(2,209)
Total Environment	21,756	18,392	135	(3,229)
Community Services and Education				
Administration & Education	2,458	1,436	-	(1,022)
Social Protection (Welfare)	-	-	-	-
Aged Persons & Disabled	212	91	-	(121)
Childrens Services	4,039	4,333	-	294
Total Community Services and Education	6,709	5,860	-	(849)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,380	348	-	(2,032)
Town Planning	5,881	1,893	-	(3,988)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	8,261	2,241	-	(6,020)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

SPECIAL SCHEDULES

for the financial year ended 30 June 2012

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

\$'000	Expenses from continuing operations	Income from continuing operations (non capital)	Income from continuing operations (capital)	Net Cost of Services
Function or Activity				
Recreation and Culture				
Public Libraries	4,249	320	270	(3,659)
Community Centres and Halls	1,437	943	-	(494)
Performing Arts Venues	3,166	1,618	-	(1,548)
Other Cultural Services	1,070	97	-	(973)
Sporting Grounds and Venues	4,498	326	-	(4,172)
Swimming Pools	3,834	1,950	-	(1,884)
Parks and Gardens (Lakes)	3,540	273	-	(3,267)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	21,794	5,527	270	(15,997)
Fuel and Energy				
	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	3,286	1,324	-	(1,962)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Construction	3,286	1,324	-	(1,962)
Transport and Communication				
Urban Roads (UR) - Local	5,793	1,991	-	(3,802)
Bridges on RU - Local	-	-	-	-
Total Transport and Communication	5,793	1,991	-	(3,802)
Economic Affairs				
Other Economic Affairs	18,119	18,200	-	81
Total Economic Affairs	18,119	18,200	-	81
TOTALS - FUNCTIONS	134,347	60,953	4,115	(69,279)
General Purpose Revenues⁽²⁾	-	77,639	-	-
Share of interests - joint ventures & associates using the equity method⁽¹⁾	-	378	-	-
NET OPERATING RESULT FOR YEAR⁽¹⁾	134,347	138,970	4,115	8,738

Notes: ⁽¹⁾ Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

SPECIAL SCHEDULES

for the year ended 30 June 2012

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

Classification of Debt	\$'000			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		
	Principal outstanding at beginning of the year				From Revenue	Sinking Funds			Current	Non Current	Total
	Current	Non Current	Total								
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	-	-	-	-	-	-	-	-	-	-	-
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	574	508	1,082	330	647	-	-	82	491	274	765
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	574	508	1,082	330	647	-	-	82	491	274	765
Total Debt	574	508	1,082	330	647	-	-	82	491	274	765

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 (as per the GPFR's).

Special Schedule No. 2(b) Statement of Internal Loans (Section 410(3) LGA 1993)

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	-	-	-
Domestic Waste Management	-	-	-
Other	-	-	-
Totals	-	-	-

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Letter	Date Raised	Term (years)	Dates of maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Principal and Interest)	Principal Outstanding at end of year
Totals							-	-	-

SPECIAL SCHEDULES

as at 30 June 2012

Special Schedule No. 7 Condition of Public Works

\$'000											
Asset Class	Asset Category	Depn Rate (%)	Depn Expense \$	Cost	Valuation	Accumulated Depreciation, Amortisation and Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4		per Note 9				per Section 428		
Buildings	Poor	1.00%	15	-	1,514	567	947	Poor	757	30	29
	Fair	1.00%	58	-	5,538	2,653	2,885	Fair	2,193	184	184
	Average	1.00%	160	-	16,324	8,177	8,147	Average	3,241	805	838
	Good	1.00%	1,734	-	176,351	71,881	104,470	Good	-	681	688
	Excellent	1.00%	223	-	22,682	6,107	16,575	Excellent	-	50	14
			2,190	-	222,409	89,385	133,024		6,191	1,750	1,753
Public Roads	Poor	1.00%	34	-	3,914	979	2,935	Poor	783	235	17
	Fair	1.00%	9	-	1,077	516	561	Fair	108	43	5
	Average	1.00%	509	-	57,952	16,432	41,520	Average	2,897	580	799
	Good	1.00%	1,481	-	168,667	21,048	147,619	Good	-	843	890
	Excellent	1.00%	1,547	-	176,159	27,359	148,800	Excellent	-	528	427
			3,581	-	407,769	66,334	341,435		3,788	2,229	2,138
Other Structures	Poor	1.00%	2	-	193	75	118	Poor	78	39	35
	Fair	1.00%	15	-	1,832	607	1,225	Fair	366	183	170
	Average	1.00%	99	-	11,829	3,076	8,753	Average	950	475	440
	Good	1.00%	265	-	31,787	3,957	27,830	Good	-	79	74
	Excellent	1.00%	129	-	15,429	987	14,442	Excellent	-	39	36
			509	-	61,070	8,702	52,368		1,394	815	755
Drainage Works	Poor	1.00%	30	-	2,889	1,618	1,271	Poor	2,881	10	6
	Fair	1.00%	12	-	1,195	451	744	Fair	591	20	1
	Average	1.00%	339	-	32,931	14,162	18,769	Average	3,281	150	160
	Good	1.00%	2,643	-	256,650	74,290	182,360	Good	-	605	618
	Excellent	1.00%	429	-	41,694	7,546	34,148	Excellent	-	20	19
			3,453	-	335,359	98,067	237,292		6,753	805	804
Total - All Assets			9,733	-	1,026,607	262,488	764,119	-	18,126	5,599	5,450

Notes:

- ⁽¹⁾ Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned "enhancement(s)" to the existing asset.
- ⁽²⁾ Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- ⁽³⁾ Current Annual Maintenance is what has been spent in the current year to maintain assets.

SPECIAL SCHEDULES

for the financial year ended 30 June 2012

Special Schedule No. 8 Financial Projections

\$ million	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast 14/15	Forecast 15/16
(i) RECURRENT BUDGET					
Income from continuing operations	143	156	165	170	179
Expenses from continuing operations	134	143	147	163	168
Operating Result from Continuing Operations	9	13	18	7	11
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	10	11	22	20	14
Replacement/Refurbishment of Existing Assets	19	20	21	19	17
Total Capital Budget	29	31	43	39	31
Funded by:					
– Loans	-	-	-	-	-
– Asset sales	-	-	-	-	-
– Reserves	11	15	23	15	20
– Grants/Contributions	3	2	2	2	2
– Recurrent revenue	7	3	8	12	2
– Other	8	11	10	10	7
	29	31	43	39	31

Notes:

⁽¹⁾ From 2011/2012 Income Statement.

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