

Manly Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*"Manly - where the natural environment and heritage sustain and
complement a vibrant cosmopolitan and community lifestyle"*



Manly Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 17 October 2014. Council has the power to amend and reissue these financial statements.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Manly Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

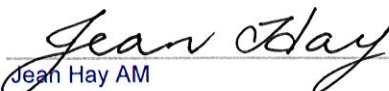
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

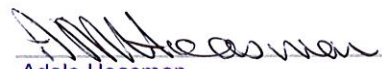
To the best of our knowledge and belief, these Financial Statements:

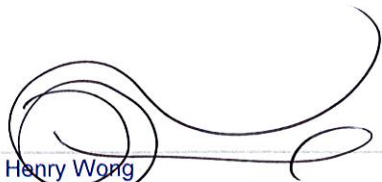
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 13 October 2014.


Jean Hay AM
MAYOR


Adele Heasman
DEPUTY MAYOR


Henry Wong
GENERAL MANAGER


Jenny Nascimento
RESPONSIBLE ACCOUNTING OFFICER

Manly Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
36,825	Rates & Annual Charges	3a	37,179	35,447
12,330	User Charges & Fees	3b	13,584	13,373
1,023	Interest & Investment Revenue	3c	1,206	754
6,200	Other Revenues	3d	5,808	5,865
4,131	Grants & Contributions provided for Operating Purposes	3e,f	3,788 ²	4,540
430	Grants & Contributions provided for Capital Purposes	3e,f	2,616	580
Other Income:				
-	Net gains from the disposal of assets	5	-	84
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	92	241
60,939	Total Income from Continuing Operations		64,273	60,884
Expenses from Continuing Operations				
29,783	Employee Benefits & On-Costs	4a	29,059	28,604
1,366	Borrowing Costs	4b	872	606
13,487	Materials & Contracts	4c	15,319	15,722
8,800	Depreciation & Amortisation	4d	8,401	8,614
5,795	Other Expenses	4e	5,791	5,979
-	Net Losses from the Disposal of Assets	5	239	-
59,231	Total Expenses from Continuing Operations		59,681	59,525
1,708	Operating Result from Continuing Operations		4,592	1,359
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,708	Net Operating Result for the Year		4,592	1,359
1,708	Net Operating Result attributable to Council		4,592	1,359
-	Net Operating Result attributable to Non-controlling Interests		-	-
1,278	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,976	779

¹ Original Budget as approved by Council - refer Note 16

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

Manly Council

Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		4,592	1,359
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	1,752
Total Items which will not be reclassified subsequently to the Operating Result		-	1,752
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		-	1,752
Total Comprehensive Income for the Year		4,592	3,111
Total Comprehensive Income attributable to Council		4,592	3,111
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Manly Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	6,370	8,367
Investments	6b	26,968	7,525
Receivables	7	3,363	3,278
Inventories	8	31	44
Other	8	145	144
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		36,877	19,358
Non-Current Assets			
Investments	6b	-	-
Receivables	7	129	336
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	696,454	696,034
Investments accounted for using the equity method	19	1,801	1,808
Intangible Assets	25	873	917
Total Non-Current Assets		699,257	699,095
TOTAL ASSETS		736,134	718,453
LIABILITIES			
Current Liabilities			
Payables	10	10,658	10,664
Borrowings	10	3,048	1,656
Provisions	10	7,158	6,657
Total Current Liabilities		20,864	18,977
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	27,524	16,322
Provisions	10	203	203
Total Non-Current Liabilities		27,727	16,525
TOTAL LIABILITIES		48,591	35,502
Net Assets		687,543	682,951
EQUITY			
Retained Earnings	20	506,869	502,277
Revaluation Reserves	20	180,674	180,674
Council Equity Interest		687,543	682,951
Non-controlling Interests		-	-
Total Equity		687,543	682,951

Manly Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		502,277	180,674	682,951	-	682,951
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		502,277	180,674	682,951	-	682,951
c. Net Operating Result for the Year		4,592	-	4,592	-	4,592
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		4,592	-	4,592	-	4,592
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		506,869	180,674	687,543	-	687,543

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		501,068	178,922	679,990	-	679,990
a. Correction of Prior Period Errors	20 (c)	(150)	-	(150)	-	(150)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		500,918	178,922	679,840	-	679,840
c. Net Operating Result for the Year		1,359	-	1,359	-	1,359
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	1,752	1,752	-	1,752
Other Comprehensive Income		-	1,752	1,752	-	1,752
Total Comprehensive Income (c&d)		1,359	1,752	3,111	-	3,111
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		502,277	180,674	682,951	-	682,951

Manly Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
36,775	Rates & Annual Charges		37,512	35,386
12,301	User Charges & Fees		14,954	14,290
995	Investment & Interest Revenue Received		1,005	735
4,588	Grants & Contributions		6,462	4,952
-	Bonds, Deposits & Retention amounts received		28	-
6,166	Other		7,255	7,769
Payments:				
(29,783)	Employee Benefits & On-Costs		(28,667)	(28,459)
(15,555)	Materials & Contracts		(17,838)	(17,383)
(930)	Borrowing Costs		(606)	(580)
-	Bonds, Deposits & Retention amounts refunded		-	(82)
(5,795)	Other		(6,936)	(7,322)
8,762	Net Cash provided (or used in) Operating Activities	11b	13,169	9,306
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		501	1,070
5,885	Sale of Infrastructure, Property, Plant & Equipment		275	598
-	Distributions Received from Joint Ventures & Associates		99	112
Payments:				
-	Purchase of Investment Securities		(19,920)	(5,084)
(41,597)	Purchase of Infrastructure, Property, Plant & Equipment		(8,715)	(14,172)
(35,712)	Net Cash provided (or used in) Investing Activities		(27,760)	(17,476)
Cash Flows from Financing Activities				
Receipts:				
36,350	Proceeds from Borrowings & Advances		15,000	7,030
-	Proceeds from Finance Leases		-	40
Payments:				
(2,239)	Repayment of Borrowings & Advances		(2,326)	(1,232)
(25)	Repayment of Finance Lease Liabilities		(80)	(151)
34,086	Net Cash Flow provided (used in) Financing Activities		12,594	5,687
7,136	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,997)	(2,483)
9,630	plus: Cash & Cash Equivalents - beginning of year	11a	8,367	10,850
16,766	Cash & Cash Equivalents - end of the year	11a	6,370	8,367
Additional Information:				
	plus: Investments on hand - end of year	6b	26,968	7,525
	Total Cash, Cash Equivalents & Investments		33,338	15,892

Please refer to Note 11 for additional cash flow information

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

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Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

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

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

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

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

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

(iv) Early adoption of Accounting Standards

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

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

Manly Council

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

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is

received, or when the penalty has been applied, whichever first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(i) The Consolidated Fund

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

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

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

- Council's General Purpose Operations
- Manly Meals on Wheels

(ii) The Trust Fund

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income

statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and Other Financial Assets

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

- **financial assets at fair value through profit or loss**,

- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

adjustments are included in the income statement as gains and losses from investment securities.

Impairment

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

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

(iii) Types of Investments

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

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

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

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

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

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

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

(h) Receivables

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (Internal Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.

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

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

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

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

Capitalisation Thresholds

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

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$5,000
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Stormwater Assets	
Drainage Infrastructure	> \$10,000

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Transport Assets

Road construction & reconstruction > \$10,000

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office furniture	10 years
- Computer Equipment	4 to 5 years
- Vehicles, Light Plant & Other Plant	5 years
- Heavy Plant/Earthmoving equip.	6 years

Other Equipment

- Playground equipment	5 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings	50 to 100 years
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Stormwater Drainage

- Pollution Devices	30 years
- Drainage Pits	30 years
- Drainage Pipes & Culverts	100 years
- Concrete Channels	70 years

Transportation Assets

- Sealed Roads : Surface	15 years
- Sealed Roads : Structure	100 years
- Footpaths	30 to 50 years
- Kerb, Channel & Gutter	70 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has classified one assets as Intangible.

Council's interest in Kimbriki Waste Services Access Rights is recognised as an intangible asset and will be amortised over the life of the asset (25 years) on a straight line basis.

(n) Crown Reserves

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

(o) Rural Fire Service assets

Council has not classified any assets under this category.

(p) Investment property

Council has not classified any assets under this category.

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

Council does not own or control any assets under this classification.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property,

Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

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

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

(s) Impairment of assets

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

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of

time that is required to complete and prepare the asset for its intended use or sale.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Chris Brown (FIAA) and Richard Boyfield (FIAA) on 30/04/14 and covers the period ended 30/06/14.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 478,361.04.

The amount of additional contributions included in the total employer contribution advised above is \$ 227,331.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$909,324 as at 30 June 2014.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be

payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(ab) New accounting standards and interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

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

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

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

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

Applicable to Local Government but no implications for Council;

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

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

Not applicable to Local Government per se;

None

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

Manly Council

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

Note 1. Summary of Significant Accounting Policies

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	-	4,047	2,573	3,364	(4,047)	(2,573)	(3,364)	-	-	-	-
Administration	4,327	6,768	5,007	11,167	14,093	11,909	(6,840)	(7,325)	(6,902)	7	86	56,195	24,311
Public Order & Safety	3,041	2,932	3,114	4,372	4,032	4,235	(1,331)	(1,100)	(1,121)	-	55	14,590	15,340
Health	164	106	58	938	796	800	(774)	(690)	(742)	-	4	1,167	845
Environment	10,542	10,778	10,013	13,747	13,961	14,139	(3,205)	(3,183)	(4,126)	354	259	25,427	-
Community Services & Education	4,934	4,703	4,468	6,256	6,016	5,931	(1,322)	(1,313)	(1,463)	1,769	1,679	17,465	19,023
Housing & Community Amenities	198	354	364	2,762	2,356	2,298	(2,564)	(2,002)	(1,934)	102	369	29,688	21,550
Recreation & Culture	2,119	2,590	1,943	8,973	8,715	9,260	(6,854)	(6,125)	(7,317)	308	237	315,837	336,440
Mining, Manufacturing & Construction	906	772	720	2,354	2,919	2,915	(1,448)	(2,147)	(2,195)	-	-	-	-
Transport & Communication	6,760	7,457	7,728	3,217	2,953	3,354	3,543	4,504	4,374	324	219	270,857	297,036
Economic Affairs	536	333	496	1,398	1,267	1,320	(862)	(934)	(824)	-	-	3,107	2,100
Total Functions & Activities	33,527	36,793	33,911	59,231	59,681	59,525	(25,704)	(22,888)	(25,614)	2,864	2,908	734,333	716,645
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	92	241	-	-	-	-	92	241	-	-	1,801	1,808
General Purpose Income ¹	27,412	27,388	26,732	-	-	-	27,412	27,388	26,732	731	1,274	-	-
Operating Result from Continuing Operations	60,939	64,273	60,884	59,231	59,681	59,525	1,708	4,592	1,359	3,595	4,182	736,134	718,453

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		21,078	20,235
Business		4,503	4,519
Total Ordinary Rates		25,581	24,754
Special Rates			
Business		1,203	1,198
Total Special Rates		1,203	1,198
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		10,003	9,107
Stormwater Management Services		360	359
Section 611 Charges		32	29
Total Annual Charges		10,395	9,495
TOTAL RATES & ANNUAL CHARGES		37,179	35,447
Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		49	76
Total User Charges		49	76
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Services		138	93
Planning & Building Regulation		991	952
Total Fees & Charges - Statutory/Regulatory		1,129	1,045
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Admission & Service Fees		3,168	2,800
Filming		17	33
Footpath Rental		640	708
Licence - Advertising Signs		442	431
Parking Fees		6,194	5,291
Rental & Hire of Non-Investment Property		199	194
Restoration Charges		274	1,563
Sponsorships		-	24
Swimming Centres		1,249	1,029
Other		223	179
Total Fees & Charges - Other		12,406	12,252
TOTAL USER CHARGES & FEES		13,584	13,373

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		91	115
- Interest earned on Investments (interest & coupon payment income)		1,091	621
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		24	18
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,206</u>	<u>754</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		91	115
General Council Cash & Investments		985	541
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		130	50
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		-	48
Total Interest & Investment Revenue Recognised		<u>1,206</u>	<u>754</u>
(d) Other Revenues			
Fines		2,753	2,981
Legal Fees Recovery - Rates & Charges (Extra Charges)		88	105
Legal Fees Recovery - Other		105	25
Commissions & Agency Fees		7	8
Diesel Rebate		29	32
Food & Wine / Jazz Festival Income		172	229
Insurance Claim Recoveries		225	169
Lease Rental		1,944	1,884
Recycling Income (non domestic)		9	10
Sales - General		311	155
Meals on Wheels		-	99
Dividend from KEE		86	168
Workers Compensation OHS Rebates/Incentives		79	-
<u>TOTAL OTHER REVENUE</u>		<u>5,808</u>	<u>5,865</u>

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	452	851	-	-
Financial Assistance - Local Roads Component	153	294	-	-
Pensioners' Rates Subsidies - General Component	126	129	-	-
Total General Purpose	731	1,274	-	-

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

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	65	63	-	-
Community Care	1,760	1,765	-	-
Employment & Training Programs	7	45	-	-
Environmental Programs	288	401	-	-
Heritage & Cultural	38	222	-	-
Library - per capita	80	79	-	-
Library - special projects	32	32	-	-
Recreation & Culture	3	-	-	-
Street Lighting	102	102	-	-
Transport (Roads to Recovery)	148	148	-	-
Transport (Other Roads & Bridges Funding)	40	51	-	-
LIRS Grant	301	-	-	-
Total Specific Purpose	2,864	2,908	-	-
Total Grants	3,595	4,182	-	-

Grant Revenue is attributable to:

- Commonwealth Funding	985	2,015	-	-
- State Funding	2,554	2,167	-	-
- Other Funding	56	-	-	-
	3,595	4,182	-	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	2,616	580
Total Developer Contributions	17 -	-	2,616	580
Other Contributions:				
Community Services	16	63	-	-
Environmental Programs	-	3	-	-
Recreation & Culture	42	75	-	-
RMS Contributions (Regional Roads, Block Grant)	135	217	-	-
Total Other Contributions	193	358	-	-
Total Contributions	193	358	2,616	580
TOTAL GRANTS & CONTRIBUTIONS	3,788	4,540	2,616	580

\$ '000	Actual 2014	Actual 2013
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	5,599	5,858
add: Grants & contributions recognised in the current period but not yet spent:	3,043	1,348
less: Grants & contributions recognised in a previous reporting period now spent:	(1,354)	(1,607)
Net Increase (Decrease) in Restricted Assets during the Period	1,689	(259)
Unexpended and held as Restricted Assets	7,288	5,599
Comprising:		
- Specific Purpose Unexpended Grants	867	1,329
- Developer Contributions	6,421	4,270
	7,288	5,599

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		22,697	23,011
Travelling		3	4
Employee Leave Entitlements (ELE)		3,422	3,497
Superannuation - Defined Contribution Plans		2,685	2,450
Workers' Compensation Insurance		1,089	717
Fringe Benefit Tax (FBT)		122	132
Training Costs (other than Salaries & Wages)		160	260
Other		18	27
Total Employee Costs		30,196	30,098
less: Capitalised Costs		(1,137)	(1,494)
TOTAL EMPLOYEE COSTS EXPENSED		29,059	28,604
Number of "Equivalent Full Time" Employees at year end		359	365
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,573	802
Charges relating to Finance Leases		14	19
Total Interest Bearing Liability Costs		1,587	821
less: Capitalised Costs		(715)	(215)
Total Interest Bearing Liability Costs Expensed		872	606
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		872	606
(c) Materials & Contracts			
Raw Materials & Consumables		12,282	12,684
Contractor & Consultancy Costs		1,832	1,817
Auditors Remuneration ⁽¹⁾		116	115
Legal Expenses:			
- Legal Expenses: Planning & Development		923	818
- Legal Expenses: Other		245	288
Capitalised Plant Hire		(97)	-
Other		18	-
TOTAL MATERIALS & CONTRACTS		15,319	15,722

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		43	48
- Other audit & assurance services: Internal Auditor		73	67
Remuneration for audit and other assurance services		116	115
Total Auditor Remuneration		116	115

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,537	1,638
Office Equipment		-	-	869	848
Furniture & Fittings		-	-	320	404
Property, Plant & Equipment - Leased		-	-	62	79
Land Improvements (depreciable)		-	-	1,058	1,366
Buildings - Non Specialised		-	-	487	588
Buildings - Specialised		-	-	687	617
Other Structures		-	-	106	246
Infrastructure:					
- Roads		-	-	1,322	2,010
- Bridges		-	-	21	-
- Footpaths		-	-	848	-
- Stormwater Drainage		-	-	462	550
- Swimming Pools		-	-	121	-
- Other Open Space/Recreational Assets		-	-	270	-
Other Assets					
- Library Books		-	-	187	224
Intangible Assets	25	-	-	44	44
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,401	8,614

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		15	4
Bank Charges		209	208
Contributions/Levies to Other Levels of Government		1,085	1,069
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		158	166
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		59	75
Donations, Contributions & Assistance to other organisations (Section 356)		349	347
Electricity & Heating		836	856
Insurance		1,287	1,320
Postage		93	93
Street Lighting		786	848
Subscriptions & Publications		324	327
Telephone & Communications		227	233
Valuation Fees		72	58
Water Rates & Charges		219	281
Other		34	57
<u>TOTAL OTHER EXPENSES</u>		<u>5,791</u>	<u>5,979</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	20
less: Carrying Amount of Property Assets Sold / Written Off		(356)	(63)
Net Gain/(Loss) on Disposal		<u>(356)</u>	<u>(43)</u>
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		275	578
less: Carrying Amount of P&E Assets Sold / Written Off		(158)	(451)
Net Gain/(Loss) on Disposal		<u>117</u>	<u>127</u>
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		501	1,070
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(501)	(1,070)
Net Gain/(Loss) on Disposal		<u>-</u>	<u>-</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(239)</u>	<u>84</u>

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		435	-	470	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,935	-	4,897	-
- Short Term Deposits		1,000	-	3,000	-
Total Cash & Cash Equivalents		6,370	-	8,367	-
Investments (Note 6b)					
- Long Term Deposits		26,488	-	6,568	-
- NCD's, FRN's (with Maturities > 3 months)		480	-	957	-
Total Investments		26,968	-	7,525	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		33,338	-	15,892	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		6,370	-	8,367	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	480	-	957	-
b. "Held to Maturity"	6(b-ii)	26,488	-	6,568	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		26,968	-	7,525	-

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	957	-	1,993	-
Revaluations (through the Income Statement)	24	-	18	-
Additions	-	-	16	-
Disposals (sales & redemptions)	(501)	-	(1,070)	-
Balance at End of Year	480	-	957	-
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	480	-	957	-
Total	480	-	957	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	6,568	-	6,568	-
Additions	19,920	-	-	-
Balance at End of Year	26,488	-	6,568	-
Comprising:				
- Other Short Term Financial Assets	26,488	-	6,568	-
Total	26,488	-	6,568	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	33,338	-	15,892	-
attributable to:				
External Restrictions (refer below)	8,008	-	6,319	-
Internal Restrictions (refer below)	23,616	-	8,393	-
Unrestricted	1,714	-	1,180	-
	33,338	-	15,892	-

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

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (A)	4,270	2,746	(595)	6,421
Specific Purpose Unexpended Grants (B)	1,329	-	(462)	867
Other	720	-	-	720
External Restrictions - Other	6,319	2,746	(1,057)	8,008
Total External Restrictions	6,319	2,746	(1,057)	8,008

Internal Restrictions

Plant & Vehicle Replacement	1,198	1,059	(1,059)	1,198
Infrastructure Replacement	2,600	638	(638)	2,600
Employees Leave Entitlement	1,528	-	-	1,528
Deposits, Retentions & Bonds	1,797	58	-	1,855
Balgowah Area Improvements	442	81	(6)	517
Depot Redevelopment	152	-	-	152
Environment Levy	277	192	-	469
Manly Wharf Forecourt	50	-	-	50
Meals on Wheels	268	-	(30)	238
Shelly Beach Improvements	9	-	-	9
Unexpended Loans	72	15,000	(72)	15,000
Total Internal Restrictions	8,393	17,028	(1,805)	23,616
TOTAL RESTRICTIONS	14,712	19,774	(2,862)	31,624

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		952	119	1,080	325
Interest & Extra Charges		20	15	20	16
User Charges & Fees		922	-	953	-
Accrued Revenues					
- Interest on Investments		316	-	138	-
- Other Income Accruals		285	-	332	-
Government Grants & Subsidies		522	-	378	-
Net GST Receivable		372	-	392	-
Total		3,389	134	3,293	341
less: Provision for Impairment					
Rates & Annual Charges		(11)	(5)	(12)	(5)
User Charges & Fees		(15)	-	(3)	-
Total Provision for Impairment - Receivables		(26)	(5)	(15)	(5)
<u>TOTAL NET RECEIVABLES</u>		<u>3,363</u>	<u>129</u>	<u>3,278</u>	<u>336</u>
Externally Restricted Receivables					
Domestic Waste Management		62	-	40	-
Total External Restrictions		62	-	40	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,301	129	3,238	336
TOTAL NET RECEIVABLES		<u>3,363</u>	<u>129</u>	<u>3,278</u>	<u>336</u>

Notes on Debtors above:

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

Manly Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		31	-	44	-
Total Inventories		31	-	44	-
Other Assets					
Prepayments		145	-	144	-
Total Other Assets		145	-	144	-
TOTAL INVENTORIES / OTHER ASSETS		176	-	188	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Manly Council

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period				as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value					Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	326		-	-	326	2,360	-	-	-	2,686		-	-	2,686
Plant & Equipment	-	13,287	8,437	-	4,850	1,365	(156)	(1,537)	355	-	14,237	9,360	-	4,877
Office Equipment	-	10,329	7,271	-	3,058	485	(2)	(869)	(181)	-	10,345	7,854	-	2,491
Furniture & Fittings	-	6,109	3,631	-	2,478	392	-	(320)	338	-	6,482	3,594	-	2,888
Plant & Equipment (under Finance Lease)	-	484	326	-	158	-	-	(62)	-	-	484	388	-	96
Land:														
- Operational Land	-	86,552	-	-	86,552	-	-	-	(7,801)	-	78,751	-	-	78,751
- Community Land	-	239,628	-	-	239,628	-	-	-	7,801	-	247,429	-	-	247,429
Land Improvements - non depreciable	-	13,615	-	-	13,615	26	-	-	(9)	-	13,632	-	-	13,632
Land Improvements - depreciable	-	38,079	15,485	-	22,594	880	-	(1,058)	1,273	-	36,945	13,256	-	23,689
Buildings - Non Specialised	-	38,462	7,537	-	30,925	257	(356)	(487)	-	-	38,192	7,853	-	30,339
Buildings - Specialised	-	61,950	15,990	-	45,960	429	-	(687)	-	-	62,378	16,676	-	45,702
Other Structures	-	36,687	7,229	-	29,458	40	-	(106)	(201)	-	36,544	7,353	-	29,191
Infrastructure:														
- Roads	-	196,078	37,070	-	159,008	1,846	-	(1,322)	(1,651)	-	200,148	42,267	-	157,881
- Bridges	-	1,653	490	-	1,163	-	-	(21)	-	-	1,653	511	-	1,142
- Footpaths	-	41,919	21,024	-	20,895	477	-	(848)	-	-	42,396	21,872	-	20,524
- Stormwater Drainage	-	44,297	19,453	-	24,844	95	-	(462)	76	-	44,392	19,839	-	24,553
- Swimming Pools	-	3,665	1,961	-	1,704	211	-	(121)	-	-	3,876	2,082	-	1,794
- Other Open Space/Recreational Assets	-	6,547	3,560	-	2,987	176	-	(270)	-	-	6,723	3,830	-	2,893
Other Assets:														
- Heritage Collections	-	4,439	-	-	4,439	13	-	-	-	-	4,452	-	-	4,452
- Library Books	-	5,019	3,627	-	1,392	239	-	(187)	-	-	5,259	3,815	-	1,444
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	326	848,799	153,091	-	696,034	9,291	(514)	(8,357)	-	2,686	854,318	160,550	-	696,454

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4.411mil) and New Assets (\$0.418mil). WIP is not factored in at this stage. Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,180	-	2,173	-
Goods & Services - capital expenditure		1,858	-	1,282	-
Payments Received In Advance		335	-	366	-
Accrued Expenses:					
- Borrowings		426	-	160	-
- Other Expenditure Accruals		179	-	48	-
Security Bonds, Deposits & Retentions		6,502	-	6,474	-
Other		178	-	161	-
Total Payables		10,658	-	10,664	-
Borrowings					
Loans - Secured ¹		3,025	27,496	1,576	16,271
Finance Lease Liabilities		23	28	80	51
Total Borrowings		3,048	27,524	1,656	16,322
Provisions					
Employee Benefits;					
Annual Leave		2,051	-	2,033	-
Sick Leave		168	-	168	-
Long Service Leave		4,225	191	3,917	191
ELE On-Costs		714	12	539	12
Total Provisions		7,158	203	6,657	203
Total Payables, Borrowings & Provisions		20,864	27,727	18,977	16,525

(i) Liabilities relating to Restricted Assets

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

¹ Loans are secured over the General Rating Income of Council

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,604	4,592
Payables - Security Bonds, Deposits & Retentions	5,800	5,950
	<u>10,404</u>	<u>10,542</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	2,033	1,860	(1,842)	-	-	2,051
Sick Leave	168	-	-	-	-	168
Long Service Leave	4,108	469	(468)	307	-	4,416
ELE On-Costs	551	175	-	-	-	726
TOTAL	6,860	2,504	(2,310)	307	-	7,361

- 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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,370	8,367
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		6,370	8,367
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		4,592	1,359
Adjust for non cash items:			
Depreciation & Amortisation		8,401	8,614
Net Losses/(Gains) on Disposal of Assets		239	(84)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(24)	(18)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(92)	(241)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		111	90
Increase/(Decrease) in Provision for Doubtful Debts		11	(53)
Decrease/(Increase) in Inventories		13	(15)
Decrease/(Increase) in Other Assets		(1)	1,511
Increase/(Decrease) in Payables		(993)	218
Increase/(Decrease) in accrued Interest Payable		266	26
Increase/(Decrease) in other accrued Expenses Payable		131	(2,253)
Increase/(Decrease) in Other Liabilities		14	(65)
Increase/(Decrease) in Employee Leave Entitlements		501	217
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		13,169	9,306
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		20	20
Total Financing Arrangements		420	420
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		14	15
Total Financing Arrangements Utilised		14	15

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Plant & Equipment		400	139
Other Structures		59	1,265
Other - Road works		537	324
Drainage		59	-
Total Commitments		1,055	1,728
These expenditures are payable as follows:			
Within the next year		805	1,728
Later than one year and not later than 5 years		250	-
Total Payable		1,055	1,728
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		200	339
Future Grants & Contributions		155	-
New Loans (to be raised)		300	1,265
Other Funding Infrastructure levy		400	124
Total Sources of Funding		1,055	1,728
(b) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		28	93
Later than one year and not later than 5 years		30	57
Total Minimum Lease Payments		58	150
less: Future Finance Charges		(7)	(19)
Amount Recognised as a Liability		51	131
(ii) Finance Lease Liability Recognised represent:			
Current Liabilities		23	80
Non-Current Liabilities		28	51
Total Finance Lease Liabilities Disclosed		51	131
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets	5	Y/N	Y/N
Total Carrying Value at Year End			
		51	131

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>2,099</u>	3.41%	0.73%	-4.48%
Total continuing operating revenue ⁽¹⁾	61,541			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>57,753</u>	90.02%	91.54%	90.95%
Total continuing operating revenue ⁽¹⁾	64,157			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>28,807</u>	2.75 : 1	1.54	1.51
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>10,460</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>11,372</u>	3.47	4.85	3.54
Principal Repayments (from the Statement of Cash Flows)	<u>3,278</u>			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,090</u>	2.81%	3.84%	3.98%
Rates, Annual and Extra Charges Collectible	<u>38,782</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>32,858</u>	6.98	3.25	2.74
Payments from cash flow of operating and financing activities	<u>4,704</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

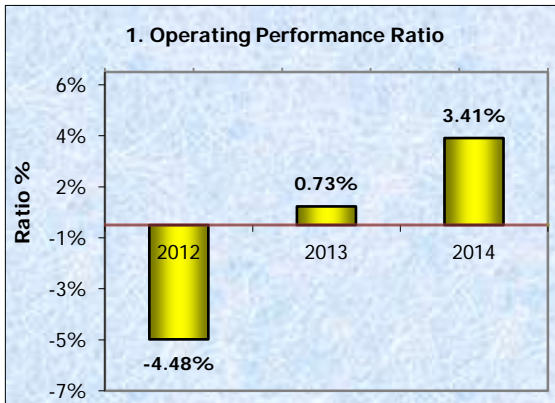
⁽³⁾ Refer to Note 10(a).

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

Manly Council

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

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



Purpose of Operating Performance Ratio

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

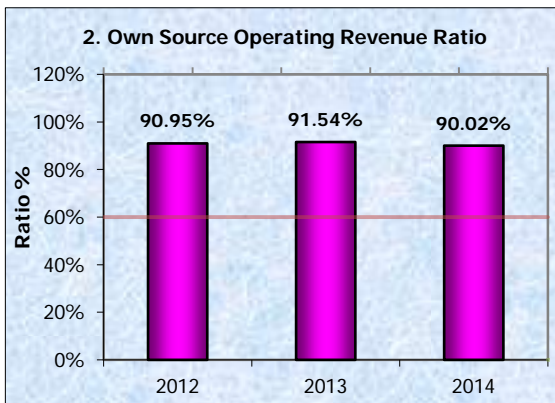
Commentary on 2013/14 Result

2013/14 Ratio 3.41%

The good result was mainly due to a combination of increased revenue from rates and investments together with a reduction in expenses such as depreciation and keeping employee costs down through staff FTE reduction.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

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

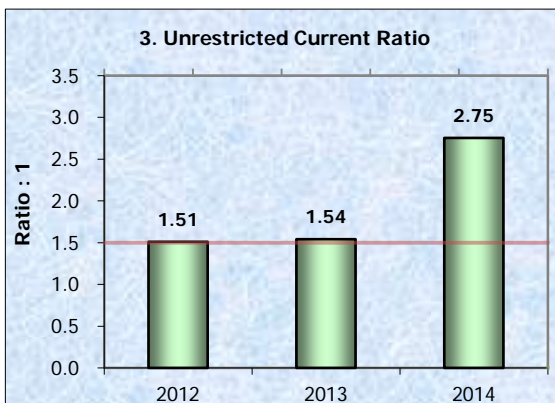
Commentary on 2013/14 Result

2013/14 Ratio 90.02%

Another yearly good result showing a consistent trend over the last 3 years and one that also exceeds both OLG and Tcorp benchmarks.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.75 : 1

The outstanding result for this year was mainly due to high cash term deposits as a result of the time lag between loan draw down and capital works expenditure.

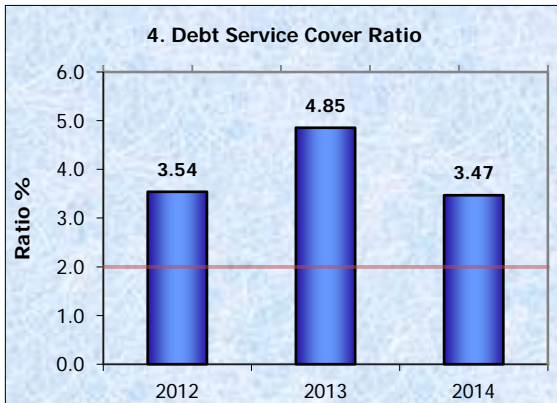
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Manly Council

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

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



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

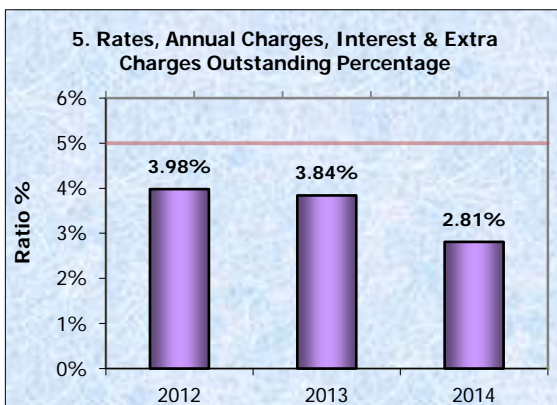
Purpose of Debt Service Cover Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 3.47

Manly's result is a reflection of its low borrowings outstanding. This ratio exceeds both the OLG and Tcorp's benchmarks.



— Maximum 5.00%

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

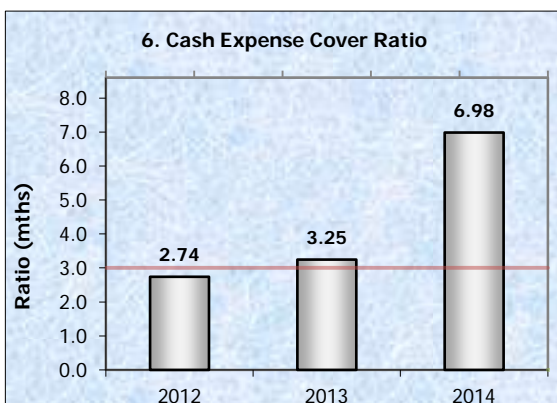
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.81%

This ratio is the lowest it has ever reached in the past 10 years due to Council's debt recovery practice. Given the age demographics of the area it will be difficult to improve on this result.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on Result

2013/14 Ratio 6.98

The outstanding result is linked to the cash available at end of year due to a timing lag between receipt of loan funding and the spending of these funds through the capital programs and projects.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	6,370	8,367	6,370	8,367
Investments				
- "Held for Trading"	480	957	480	957
- "Held to Maturity"	26,488	6,568	26,488	6,568
Receivables	3,492	3,614	3,492	3,614
Total Financial Assets	36,830	19,506	36,830	19,506
Financial Liabilities				
Payables	10,323	10,298	10,333	10,148
Loans / Advances	30,521	17,847	30,521	17,847
Lease Liabilities	51	131	51	131
Total Financial Liabilities	40,895	28,276	40,905	28,126

Fair Value is determined as follows:

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the 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. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 1% movement in Interest Rates	140	140	(140)	(140)
2013				
Possible impact of a 1% movement in Interest Rates	150	150	(150)	(150)

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	100%	100%	100%	100%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	1,420	-	1,504
Past due by up to 30 days	567	469	782	132
Past due between 31 and 60 days	98	68	132	422
Past due between 61 and 90 days	54	232	133	171
Past due by more than 90 days	352	263	358	-
	1,071	2,452	1,405	2,229
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			20	73
+ new provisions recognised during the year			14	
- amounts already provided for & written off this year			(3)	(53)
Balance at the end of the year			31	20

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	6,502	3,821	-	-	-	-	-	10,323	10,323
Loans & Advances	-	3,025	3,068	3,048	2,773	2,807	15,800	30,521	30,521
Lease Liabilities	-	28	23	-	-	-	-	51	51
Total Financial Liabilities	6,502	6,874	3,091	3,048	2,773	2,807	15,800	40,895	40,895
2013									
Trade/Other Payables	6,474	3,824	-	-	-	-	-	10,298	10,298
Loans & Advances	-	1,576	1,445	1,445	1,445	1,161	10,775	17,847	17,847
Lease Liabilities	-	80	25	25	1	-	-	131	131
Total Financial Liabilities	6,474	5,480	1,470	1,470	1,446	1,161	10,775	28,276	28,276

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,323	1.0%	10,298	2.0%
Loans & Advances - Fixed Interest Rate	15,739	5.8%	2,692	7.3%
Loans & Advances - Variable Interest Rate	14,782	4.5%	15,155	4.8%
Lease Liabilities	51	10.0%	131	12.0%
	40,895		28,276	

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 03 June 2013.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	36,825	37,179	354	1%	F
User Charges & Fees	12,330	13,584	1,254	10%	F
Favourable variation due mainly to an increase in parking income of 1.32 M.					
Interest & Investment Revenue	1,023	1,206	183	18%	F
Variation is primarily due to higher cash unspent loan funds invested in term deposits during the year.					
Other Revenues	6,200	5,808	(392)	(6%)	U
Operating Grants & Contributions	4,131	3,788	(343)	(8%)	U
Capital Grants & Contributions	430	2,616	2,186	508%	F
Variation due to Section 94 funding from four major developments. Council has no control over the time frame for such development and hence the future forecast of receipt of the Section 94 funding					

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	29,783	29,059	724	2% F
Borrowing Costs	1,366	872	494	36% F
Net variation as a result of capitalisation of interest costs (+715K) and additional interest costs incurred due to early draw down of loans for major projects (-221K).				
Materials & Contracts	13,487	15,319	(1,832)	(14%) U
Variation due to increased legal service costs (+599K), increased waste disposal cost (+330K) and increase in asset operating maintenance and running costs (+900K).				
Depreciation & Amortisation	8,800	8,401	399	5% F
Other Expenses	5,795	5,791	4	0% F
Net Losses from Disposal of Assets	-	239	(239)	0% U
Variation as a net result of the loss on the write down of the WDV of the building on 36 Stuart Street on demolition to make way for open space (-356K) and the profit from sale of plant and equipment (+117K).				
Share of Net Losses - Joint Ventures & Associates	-	-	-	0% F
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	8,762	13,169	4,407	50.3% F
Variation due to additional cash as a net result of additional income (+5mil) exceeding additional expenditure (+3mil).				
Cash Flows from Investing Activities	(35,712)	(27,760)	7,952	(22.3%) F
Budget variation as a result of delayed construction of major projects.				
Cash Flows from Financing Activities	34,086	12,594	(21,492)	(63.1%) U
Budget variation as a result of time delay in implementation of major projects and hence post ponement of draw down of loans.				

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	230	83	-	6	-	-	319	-	-	319	-
Parking	489	801	-	24	-	-	1,314	-	-	1,314	-
Open Space Aquisition & Embellishment	863	617	-	19	(595)	-	904	-	-	904	-
Community Facilities	(360)	130	-	1	-	-	(229)	-	-	(229)	-
Streetscape/Transport	1,358	423	-	33	-	-	1,814	-	-	1,814	-
Environmental Programs (incl. drainage)	2,026	562	-	47	-	-	2,635	-	-	2,635	-
Library & Recreation	(350)	-	-	-	-	-	(350)	-	-	(350)	-
S94 Contributions - under a Plan	4,256	2,616	-	130	(595)	-	6,407	-	-	6,407	-
Total S94 Revenue Under Plans	4,256	2,616	-	130	(595)	-	6,407				-
S94 not under Plans	14	-	-	-	-	-	14	-	-	14	-
Total Contributions	4,270	2,616	-	130	(595)	-	6,421	-	-	6,421	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Residential (2005 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	212	57	-	5	-	-	274	-	-	274	-
Parking	384	801	-	22	-	-	1,207	-	-	1,207	-
Open Space Aquisition & Embellishment	278	591	-	6	(520)	-	355	-	-	355	-
Community Facilities	(299)	101	-	-	-	-	(198)	-	-	(198)	-
Streetscape/Transport	667	257	-	18	-	-	942	-	-	942	-
Environmental Programs (incl. drainage)	1,108	383	-	27	-	-	1,518	-	-	1,518	-
Total	2,350	2,190	-	78	(520)	-	4,098	-	-	4,098	-

CONTRIBUTION PLAN - Manly Precinct Retail/Commercial (2005 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	13	26	-	1	-	-	40	-	-	40	-
Community Facilities	15	29	-	1	-	-	45	-	-	45	-
Streetscape/Transport	87	166	-	5	-	-	258	-	-	258	-
Environmental Programs (incl. drainage)	82	156	-	4	-	-	242	-	-	242	-
Total	197	377	-	11	-	-	585	-	-	585	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Other Precincts (2005 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	5	-	-	-	-	-	5	-	-	5	-
Community Facilities	(76)	-	-	-	-	-	(76)	-	-	(76)	-
Streetscape/Transport	604	-	-	10	-	-	614	-	-	614	-
Environmental Programs (incl. drainage)	836	-	-	16	-	-	852	-	-	852	-
Total	1,369	-	-	26	-	-	1,395	-	-	1,395	-

CONTRIBUTION PLAN - Manly Precinct (1999 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space Aquisition & Embellishment	227	-	-	5	-	-	232	-	-	232	-
Library & Recreation	17	-	-	-	-	-	17	-	-	17	-
Total	244	-	-	5	-	-	249	-	-	249	-

CONTRIBUTION PLAN - Other Precinct (1999 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space Aquisition & Embellishment	358	-	-	7	(75)	-	290	-	-	290	-
Library & Recreation	(367)	-	-	-	-	-	(367)	-	-	(367)	-
Total	(9)	-	-	7	(75)	-	(77)	-	-	(77)	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Parking (1999 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	105	-	-	2	-	-	107	-	-	107	-
Total	105	-	-	2	-	-	107	-	-	107	-

CONTRIBUTION PLAN - Tourist Developments Retail/Commercial (2005 Plan)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space Aquisition & Embellishments	-	26	-	1	-	-	27	-	-	27	-
Environmental Programs (incl. drainage)	-	23	-	-	-	-	23	-	-	23	-
Total	-	49	-	1	-	-	50	-	-	50	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Section 94 Not Under Plans	14	-	-	-	-	-	14	-	-	14	-
Total	14	-	-	-	-	-	14	-	-	14	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

The amount of employee contribution recognised as an expense for the year ending 30 June 2014 was \$478,361. The scheme is monitored annually and the Actuary has estimated that as at 30 June 2014 the employers' share of this deficit was \$909,324.

(ii) Statewide Limited

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

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA. These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

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

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

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	95	247	1,759	1,763
Joint Venture Entities	(3)	(6)	42	45
Total	92	241	1,801	1,808

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

Council has no interest in any Subsidiaries.

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2014	2013
Kimbriki Environmental Enterprises P/L	Recycling & Waste Disposal	1,759	1,763
Total Carrying Amounts - Associated Entities		1,759	1,763

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Kimbriki Environmental Enterprises P/L	11%	11%	11%	11%	11%	11%

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

	Kimbriki Environmental Enterprises P/L	
	2014	2013
Opening Balance	1,763	1,629
Share in Operating Result	215	247
Distributions Received	(99)	(112)
Adjustments to Equity	(120)	(1)
Council's Equity Share in the Associated Entity	1,759	1,763

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

2014	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	2,580	821	1,759	2,978	215
Totals	2,580	821	1,759	2,978	215
2013	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	2,200	437	1,763	2,597	247
Totals	2,200	437	1,763	2,597	247

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Shorelink Library Network	Sharing of Library Infrastructure	42	45
Total Carrying Amounts - Joint Venture Entities		42	45

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Shorelink Library Network	14%	14%	17%	17%	20%	20%

(c) Movement in Carrying Amounts

	Shorelink Library Network	
	2014	2013
Opening Balance	45	51
Share in Operating Result	(3)	(6)
Council's Equity Share in the Joint Venture Entity	42	45

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Shorelink Library Network	51	4	13	-	42
Totals	51	4	13	-	42
2013					
Shorelink Library Network	49	8	12	-	45
Totals	49	8	12	-	45

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	96	99	(3)	102	108	(6)
Totals	96	99	(3)	102	108	(6)

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

None.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		502,277	501,068
a. Correction of Prior Period Errors	20 (c)	-	(150)
b. Net Operating Result for the Year		4,592	1,359
Balance at End of the Reporting Period		<u>506,869</u>	<u>502,277</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	180,674	180,674
Total	<u>180,674</u>	<u>180,674</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	180,674	178,922
- Revaluations Adjustment to ARR	9(a) -	1,752
- Balance at End of Year	<u>180,674</u>	<u>180,674</u>
TOTAL VALUE OF RESERVES	<u>180,674</u>	<u>180,674</u>

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
(i) In the course of applying Section 94 funds for the purpose of Open Space Acquisition in the previous reporting period, it was found that the prior year allocation did not take into account the land classification that being "Operational" and not "Community". The past period Section 94 Restricted Balance has been adjusted to reflect the correction of this error. This has no effect on the Equity balance.			
- Increase in Section 94 Reserve			500
- Decrease in Unrestricted Cash Reserve			(500)
A review exercise identified these errors and an adjustment was made against the current year balances of Section 94 Reserve to correct the errors because it was found to be impractical to restate prior year comparatives.			
(ii) In the course of reviewing contributions for "Affordable Housing" under SEPP (ARH) 2009 it was found that 2 payments received in 2004 and 2008 had been incorrectly classified as Section 94 funds. The 2004 payments were correctly transferred to a Trust Liability account but the 2009 payment was incorrectly recognised as income.			
- Decrease in Section 94 Reserve			(238)
- Increase in Unrestricted Cash Reserve			88
- Decrease in Closing Equity - 30/6/2013			150
A review exercise identified these errors and an adjustment was made against the current year balances of Section 94 Reserve to correct the errors because it was found to be impractical to restate prior year comparatives.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		-	(150)
Total Prior Period Adjustments - Prior Period Errors		-	(150)

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Note 23. Events occurring after the Reporting Date

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

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

Accordingly, the "authorised for issue" date is 17/10/14.

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

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

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 24. Discontinued Operations

\$ '000	Actual 2014	Actual 2013
(i) Discontinued Operations		
Commercial Waste		
(ii) Net Carrying Value of Discontinued Operations		
Discontinued Operation Commercial Waste - Sold 2012		
Carrying Value - Assets	-	48
Carrying Value - Liabilities	-	(32)
Net Carrying Value	-	16
Total Value of Discontinued Operations (On Hand)	-	16

Note 25. Intangible Assets

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

Intangible Assets are as follows;

Opening Values:		
Gross Book Value (1/7)	1,093	1,093
Accumulated Amortisation (1/7)	(176)	(132)
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	917	961
Movements for the year		
- Amortisation charges	(44)	(44)
Closing Values:		
Gross Book Value (30/6)	1,093	1,093
Accumulated Amortisation (30/6)	(220)	(176)
Accumulated Impairment (30/6)	-	-
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	873	917
¹ The Net Book Value of Intangible Assets represent:		
- Kimbriki Access Rights	873	917
	873	917

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

During a reporting period Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets needs to be written down to fair value less costs sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Fair value hierarchy

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council

	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
Recurring fair value measurements				
Financial assets				
Investments				
- At fair value through profit or loss	6	-	480	480
Infrastructure, Property, Plant and Equipment				
Plant & Equipment	9	-	4,877	4,877
Office Equipment	9	-	2,491	2,491
Furniture & Fittings	9	-	2,888	2,888
Plant & Equipment - Leased	9	-	96	96
Operational Land	9	-	78,751	78,751
Community Land	9	-	247,429	247,429
Land Improvements – Non Depreciable	9	-	13,632	13,632
Land Improvements - Depreciable	9	-	23,689	23,689
Buildings - Non Specialised	9	-	30,339	30,339
Buildings - Specialised	9	-	45,702	45,702
Other Structures	9	-	29,191	29,191
Roads	9	-	157,881	157,881
Bridges	9	-	1,142	1,142
Footpaths	9	-	20,527	20,524

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
Infrastructure, Property, Plant and Equipment (continued)				
Drainage Infrastructure	9	-	24,553	24,553
Swimming Pools	9	-	1,794	1,794
Other Open Space/Recreational Assets	9	-	2,893	2,893
Library Books	9	-	1,444	1,444
Heritage Collections	9	-	4,452	4,452
Total		-	694,248	694,248

Valuation Techniques

Level 3 Measurements

Financial Assets

Investments - At fair value through profit or loss are represented by Emu Note (Dresdner Bank). Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. At this stage, opportunistic bids for this tranche would be expected in the mid-90c in the dollar area. There has been no change to the valuation process during the reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

Plant and Equipment Trucks, tractors, jet skis, ride-on mowers, street sweepers, earthmoving equipment, buses, motor vehicles and waste bins.

Office Equipment Computer equipment, IT software, TVs, cameras, photocopiers and printers.

Furniture & Fittings Chairs, desks, display units and street furniture.

Plant & Equipment Leased (Liability)

Plant & Equipment Leased is valued at cost but is disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The assets within this class are all printers and/or photocopiers.

The key unobservable input to the valuation is the interest rates. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets as well as the remaining term of the lease, present value of the minimum lease payment and interest rates. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last

Manly Council

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

Note 27. Fair Value Measurement (continued)

valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practicing Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the Unimproved Capital Value (UCV) provided by the Valuer-General or an average unit rate based on the UCV for similar properties where the Valuer-General did not provide a UCV having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land Under Roads

Council has elected to not recognise Land Under Roads where the road was acquired on or after 1 July 2008.

Land Improvement – Non Depreciable

This asset class comprises Council owned Trees such as the Norfolk Pines located along the East and West Esplanades and the beachfront, and various other species of trees planted along the street scapes. These assets may be also be located on parks, reserves and also within road reserves. Land Improvements – Non depreciable were valued in-house using the cost approach by experienced Council engineers, and parks and reserve asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While the unit rates based on the replacement of the established trees or similar maturity could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of growth, heritage value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Land Improvements - Depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. Land Improvements were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Buildings - Non specialised and Specialised

Buildings were valued by Asset Management in 2008 and 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

Other Structures

This asset class comprises carspaces (where Council does not control the car park building), seawalls, ramps, jetties, radio tower and skate park structures.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

This asset class comprises the Road Carriageway, Carpark spaces, Kerb and Gutter, Fence & Bollards, Traffic Control Facilities, Line Markers and Road Signs and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were carried out by Council Engineers using current market rates for various elements.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there was some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued by Council engineers using the cost approach. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails.

While all bridges were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Footpaths

Footpaths were valued by Council engineers using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Swimming Pools

Assets within this class comprise Council's swim centre and harbour netted and rock pools. The swimming centre and harbour pools were valued by Council engineers and facility manager using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Assets within this class comprise regional Sporting Facilities and Playgrounds. These assets were valued by in-house engineers, assets management staff and construction managers who adopted a cost approach.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Heritage Collections

Manly Council holds various art works both in the Manly Art Gallery and open space art works such as statues, sculptures and memorial artefacts. These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value and not depreciated due to the nature of the items.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Reconciliation of Movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below.

	2014 \$'000
Balance at 1 July	696,664
Total gains or losses for the year	
Recognised in profit or loss - realised	-239
Recognised in profit or loss – unrealised (Note 6b)	24
Recognised in other comprehensive income – Revaluation Surplus	-
Other movements	
Purchases	6,931
Sales (Note 5)	-776
Depreciation	-8,357
Transfer from Non-Current Assets Held for Resale	-
Transfers into Level 3	-
Transfers out of Level 3	-
Balance as at 30 June	694,248

There are no transfers identified in the table above.

Unobservable Inputs and sensitivities

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs•	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investments – At fair value through profit or loss	480	Unit price	\$0.90 to \$1.00	Changes in the estimated unit price would result in changes to fair value measurement.
Plant & Equipment, Office Equipment and Furniture & Fittings	10,256	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • 5 to 20 years • 0% 	Changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in changes to fair value measurement.
Plant & Equipment Leased	96	<ul style="list-style-type: none"> • Gross Replacement Cost • Interest rates 	<ul style="list-style-type: none"> • Varies from asset to asset • 8% to 12% 	Changes in the gross replacement value or interest rates would result in changes to fair value measurement.
Operational Land	78,751	<ul style="list-style-type: none"> • Price per square metre 	<ul style="list-style-type: none"> • \$2000 - \$10,000 (per square Metre) 	Changes in the price per square metre would result in changes to fair value measurement.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs•	Expected range of inputs	Description of how changes in inputs will affect the fair value
Community Land	247,429	• Unimproved Capital Value (price per square metre)	• \$2000 - \$10,000 (per square metre)	Changes in the price per square metre based on the unimproved capital value would result in changes to fair value measurement.
Land Improvements – non depreciable	13,632	• Gross Replacement Cost	• Varies from asset to asset	Changes in the estimated unit price would result in changes to fair value measurement.
Land Improvements - depreciable	23,689	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value	• Varies from asset to asset • Very poor to excellent • 25 - 100 years • 0%	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Buildings	76,041	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value	• Varies from asset to asset • Very poor to excellent • 2 - 100 years • 0%	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Other Structures	29,191	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value	• Varies from asset to asset • Very poor to excellent • 2 - 100 years • 0%	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Roads	157,881	• Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value	• Varies from asset to asset • Poor to excellent • 2 - 100 years • 0% to 100%	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs•	Expected range of inputs	Description of how changes in inputs will affect the fair value
Bridges	1,142	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 100 years • 0% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Footpaths	20,524	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 0 - 100 years • 0% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Drainage Infrastructure	24,553	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 0 - 120 years • 0% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Swimming Pools	1,794	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 10 - 100 years • 0% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Other Open Space/Recreational Assets	2,893	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 5 - 100 years • 0% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs•	Expected range of inputs	Description of how changes in inputs will affect the fair value
Library Books	1,444	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies from asset to asset • Poor to excellent • 5 – 15 years • 0% to 10% 	Changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in changes to fair value measurement.
Heritage Collections	4,452	<ul style="list-style-type: none"> • Gross Replacement Cost 	<ul style="list-style-type: none"> • Varies from asset to asset 	Changes in the estimated unit price would result in changes to fair value measurement.

Transfers between levels of the hierarchy

Nil

Highest and best use

All assets valued at fair value in this note are being used for their highest and best use

Manly Council

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

Note 28. Council Information & Contact Details

Principal Place of Business:

1 Belgrave Street
Manly NSW 2095

Contact Details**Mailing Address:**

PO Box 82
Manly NSW 1655

Opening Hours:

Monday to Friday
8:30am to 5:00pm

Telephone: 02 9976 1500

Facsimile: 02 9976 1400

Internet: www.manly.nsw.gov.au

Email: records@manly.nsw.gov.au

Officers**GENERAL MANAGER**

Mr Henry Wong

RESPONSIBLE ACCOUNTING OFFICER

Mrs Jenny Nascimento

PUBLIC OFFICER

Kathryn Parker

AUDITORS

Hill Rogers Spencer Steer

Elected Members**MAYOR**

Jean Hay AM

COUNCILLORS

Clr Adele Heasman

Clr Barbara Aird

Clr Hugh Burns

Clr Candy Bingham

Clr Cathy Griffin

Clr Alan Le Surf

Clr James Griffin

Clr Steve Pickering

Other Information

ABN: 43 662 868 065

MANLY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

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

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

Assurance Partners

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ABN 56 435 338 966

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 17th day of October 2014

Manly Council
General Purpose Financial Statements
Independent Auditors' Report

17 October 2014

The Mayor
Manly Council
PO Box 8
MANLY NSW 1655

Mayor,

Audit Report - Year Ended 30 June 2014

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

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$4.592 million as compared with \$1.359 million in the previous year.

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

	2014	% of	2013	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
Revenues before capital items					
Rates & annual charges	37,179	60%	35,447	59%	1,732
User charges, fees & other revenues	19,484	32%	19,563	32%	(79)
Grants & contributions provided for operating purposes	3,788	6%	4,540	8%	(752)
Interest & investment revenue	1,206	2%	754	1%	452
	61,657	100%	60,304	100%	1,353
Expenses					
Employee benefits & costs	29,059	49%	28,604	48%	455
Materials, contracts & other expenses	21,349	36%	21,701	36%	(352)
Depreciation, amortisation & impairment	8,401	14%	8,614	14%	(213)
Borrowing costs	872	1%	606	1%	266
	59,681	100%	59,525	100%	156
Surplus (Deficit) before capital items	1,976		779		1,197
Grants & contributions provided for capital purposes	2,616		580		2,036
Net Surplus (Deficit) for the year	4,592		1,359		3,233
Performance Measures	2014		2013		
Operating Performance	3.41%		0.73%		
Own Source Operating Revenue	90.02%		91.54%		

The above table shows an overall increase of \$3.233 million from the previous year and is mainly attributable to increased rates and annual charges (\$1.732 million) and contributions from developers (\$2.036 million).

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was 3.41% and exceeded the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 90.02% and exceeded the benchmark of 60%.

1.2 Funding Result

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

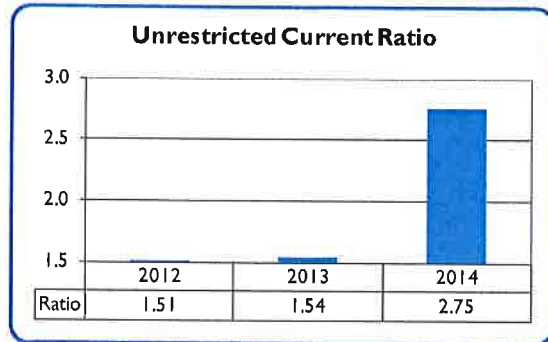
	2014	2013
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	4,592	1,359
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,401	8,614
- Book value of non-current assets sold	514	514
- (Surplus)/Deficit in joint ventures	(92)	(241)
	<u>13,415</u>	<u>10,246</u>
New loan borrowings	15,000	7,030
Finance Leases	0	40
Transfers from externally restricted assets (net)	0	444
Distributions from joint ventures	99	112
Net Changes in current/non-current assets & liabilities	736	0
	<u>29,250</u>	<u>17,872</u>
Funds were applied to:-		
Purchase and construction of assets	(9,291)	(15,338)
Principal repaid on loans	(2,326)	(1,232)
Finance lease instalments	(80)	(151)
Transfers to externally restricted assets (net)	(1,711)	0
Transfers to internal reserves (net)	(15,223)	(2,033)
Net Changes in current/non current assets & liabilities	0	(127)
	<u>(28,631)</u>	<u>(18,881)</u>
Increase/(Decrease) in Available Working Capital	619	(1,009)

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 \$18.347 million representing a factor of 2.75 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$1.035 million as detailed below;

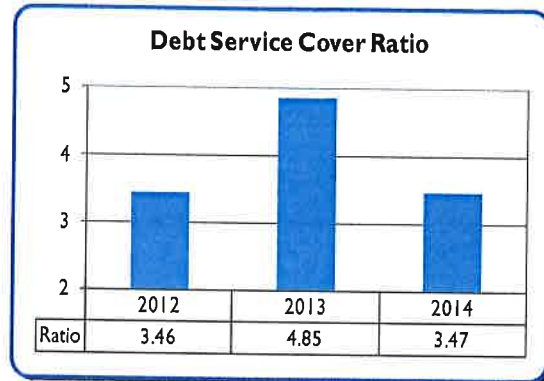
	2014	2013	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	16,013	381	15,632
Add: Payables & provisions not expected to be realised in the next 12 months included above	10,404	10,542	(138)
Adjusted Net Current Assets	26,417	10,923	15,494
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	3,048	1,656	1,392
- Employees leave entitlements	2,554	2,065	489
- Deposits & retention moneys	702	524	178
Less: Externally restricted assets	(8,070)	(6,359)	(1,711)
Less: Internally restricted assets	(23,616)	(8,393)	(15,223)
Available Working Capital as at 30 June	1,035	416	619

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 satisfactory.

2.3 Debt

After repaying principal and interest of \$3.278 million and taking up new borrowings of \$15 million, total debt as at 30 June 2014 stood at \$30.572 million (2013 - \$17.978 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 3.47 to 1.



2.4 Summary

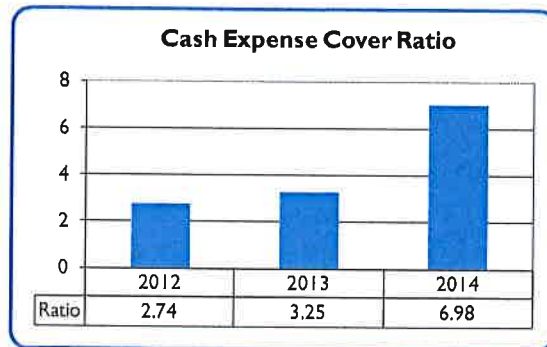
Council’s overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

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

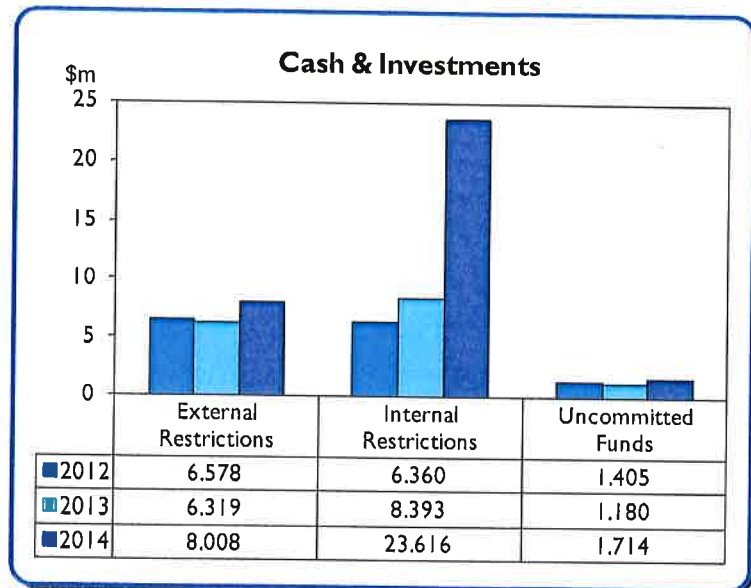
For 2014, this ratio stood at 6.98 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$33.338 million at 30 June 2014 as compared with \$15.892 million in 2013 and \$14.343 million in 2012.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$6.421 million), specific purpose grants and contributions (\$867,000) and Art Gallery funds (\$720,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$23.616 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.714 million, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$1.997 million to \$6.37 million at the close of the year.

In addition to operating activities which contributed net cash of \$13.169 million were the proceeds from the sale of investment securities (\$501,000), proceeds from borrowings (\$15 million), distributions from joint ventures (\$99,000) and sale of assets (\$275,000). Cash outflows other than operating activities were used to repay loans and finance leases (\$2.406 million) and purchase and construct assets (\$8.715 million).

4. RECEIVABLES

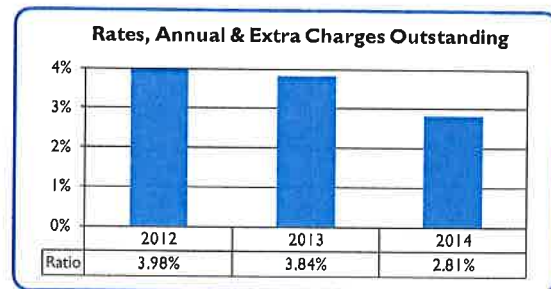
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$37.179 million and represented 58% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$38.567 million of which \$37.512 million (97%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.09 million at the end of the year and represented 2.81% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$2.417 million and consisted of user charges and fees (\$922,000), amounts due from government departments (\$894,000) and accrued interest on investments and other revenues (\$601,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$15,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$7.361 million. Internally restricted cash and investments of \$1.528 million was held representing 21% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

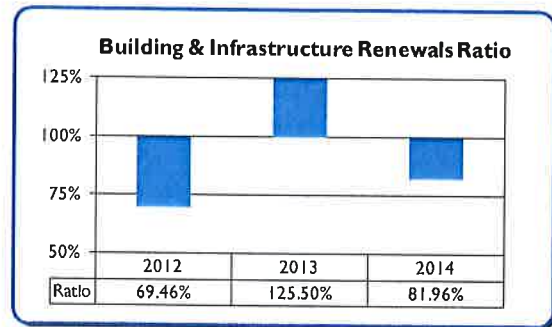
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.502 million and were 29% funded by internally restricted cash and investments.

6. BUILDING AND INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2014 represented 82% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our first interim audit was issued on 27 March 2014. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions. An additional management letter was issued on 21 July 2014 advising of findings from our second interim audit visit.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER

GARY MOTTAU

Partner

Manly Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*"Manly - where the natural environment and heritage sustain and
complement a vibrant cosmopolitan and community lifestyle"*



Manly Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	6
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	13

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Manly Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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

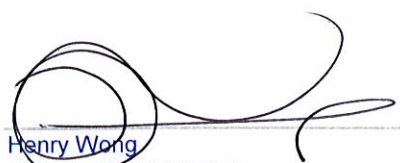
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 13 October 2014.


Jean Hay AM
MAYOR


Adele Heasman
DEPUTY MAYOR


Henry Wong
GENERAL MANAGER


Jenny Nascimento
RESPONSIBLE ACCOUNTING OFFICER

Manly Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Domestic Waste Management		Commercial Waste	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	10,003	9,107	-	-
User charges	49	73	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	283	327	-	-
Profit from the sale of assets	-	-	-	-
Other income	9	10	-	-
Total income from continuing operations	10,344	9,517	-	-
Expenses from continuing operations				
Employee benefits and on-costs	2,229	2,494	-	-
Borrowing costs	-	-	-	-
Materials and contracts	4,090	4,039	-	-
Depreciation and impairment	537	674	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	2,778	2,775	-	-
Total expenses from continuing operations	9,634	9,982	-	-
Surplus (deficit) from Continuing Operations before capital amounts	710	(465)	-	-
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	710	(465)	-	-
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	710	(465)	-	-
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(213)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	497	(465)	-	-
plus Opening Retained Profits	141	1,577	-	16
plus/less: Prior Period Adjustments	-	(534)	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	213	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	(331)	(437)	-	(16)
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	520	141	-	-
Return on Capital %	50.2%	-31.5%	n/a	n/a
Subsidy from Council	-	541	-	-

Manly Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Parking Stations		Swim Centre	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	-	-
User charges	6,202	5,304	1,249	1,029
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	8	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	147	131
Total income from continuing operations	6,202	5,304	1,404	1,160
Expenses from continuing operations				
Employee benefits and on-costs	175	159	882	877
Borrowing costs	-	-	-	-
Materials and contracts	857	1,060	140	163
Depreciation and impairment	98	86	24	24
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	366	367	428	409
Total expenses from continuing operations	1,496	1,672	1,474	1,473
Surplus (deficit) from Continuing Operations before capital amounts	4,706	3,632	(70)	(313)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	4,706	3,632	(70)	(313)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	4,706	3,632	(70)	(313)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,412)	(1,090)	-	-
SURPLUS (DEFICIT) AFTER TAX	3,294	2,542	(70)	(313)
plus Opening Retained Profits	56	60	(113)	(109)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,412	1,090	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	132	309
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(4,405)	(3,636)	-	-
Closing Retained Profits	357	56	(51)	(113)
Return on Capital %	1333.1%	6603.6%	-47.3%	-530.5%
Subsidy from Council	-	-	75	315

Manly Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Childrens Services

Category 1

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	2,853	2,468
User charges	-	-
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	958	885
Profit from the sale of assets	-	-
Other income	8	12
Total income from continuing operations	3,819	3,365
Expenses from continuing operations		
Employee benefits and on-costs	2,597	2,423
Borrowing costs	-	-
Materials and contracts	415	395
Depreciation and impairment	15	18
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	398	730
Total expenses from continuing operations	3,425	3,566
Surplus (deficit) from Continuing Operations before capital amounts	394	(201)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	394	(201)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	394	(201)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(118)	-
SURPLUS (DEFICIT) AFTER TAX	276	(201)
plus Opening Retained Profits	(143)	(263)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	118	-
add:		
- Subsidy Paid/Contribution To Operations	(533)	321
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(282)	(143)
Return on Capital %	679.3%	-228.4%
Subsidy from Council	-	204

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Domestic Waste Management		Commercial Waste	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	150	208	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	150	208	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	1,414	1,478	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,414	1,478	-	-
TOTAL ASSETS	1,564	1,686	-	-
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	398	951	-	-
Interest bearing liabilities	-	-	-	-
Provisions	642	589	-	-
Total Current Liabilities	1,040	1,540	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	4	5	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	4	5	-	-
TOTAL LIABILITIES	1,044	1,545	-	-
NET ASSETS	520	141	-	-
EQUITY				
Retained earnings	520	141	-	-
Revaluation reserves	-	-	-	-
Council equity interest	520	141	-	-
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	520	141	-	-

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Parking Stations		Swim Centre	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	31	20	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	31	20	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	353	55	148	59
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	353	55	148	59
TOTAL ASSETS	384	75	148	59
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	24	17	198	171
Total Current Liabilities	24	17	198	171
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	3	2	1	1
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	3	2	1	1
TOTAL LIABILITIES	27	19	199	172
NET ASSETS	357	56	(51)	(113)
EQUITY				
Retained earnings	357	56	(51)	(113)
Revaluation reserves	-	-	-	-
Council equity interest	357	56	(51)	(113)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	357	56	(51)	(113)

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Childrens Services

Category 1

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	58	88
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	58	88
TOTAL ASSETS	58	88
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	309	207
Total Current Liabilities	309	207
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	31	24
Other Liabilities	-	-
Total Non-Current Liabilities	31	24
TOTAL LIABILITIES	340	231
NET ASSETS	(282)	(143)
EQUITY		
Retained earnings	(282)	(143)
Revaluation reserves	-	-
Council equity interest	(282)	(143)
Non-controlling equity interest	-	-
TOTAL EQUITY	(282)	(143)

Manly Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

Manly Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

a. Domestic Waste Management

Comprising the collection of domestic waste from Council's residents.

b. Parking Stations

Comprising Whistler Street, Manly National, Manly Pacific and Peninsula Parking Stations in Manly.

c. Children's Services

Comprising the four separate services operating out of the following venues: Kangaroo Street Childcare, Ivanhoe Park Pre-School, the Roundhouse Childcare Centre and Harbourview Children's Care Centre.

Category 2

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

a. Swim Centre

Comprising the operations at Andrew Boy Charlton Manly Swim Centre.

Monetary Amounts

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Manly Council

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

Note 1. Significant Accounting Policies

statements as a cost of operations just like all other costs.

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

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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

Income Tax

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

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and

has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

Manly Council

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

Note 1. Significant Accounting Policies

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

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 3.56% at 30/6/14.

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

(iv) Dividends

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

MANLY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Manly Council, which comprises the Statement of Financial Position as at 30 June 2014, 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.

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Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note I 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



GARY MOTTAU

Partner

Dated at Sydney this 17th day of October 2014

Manly Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

"Manly - where the natural environment and heritage sustain and complement a vibrant cosmopolitan and community lifestyle"



Manly Council

Special Schedules

for the financial year ended 30 June 2014

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

Background

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

Manly Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	2,573	-	-	(2,573)
Administration	14,093	4,152	2,616	(7,325)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,053	-	-	(1,053)
Beach Control	1,048	108	-	(940)
Enforcement of Local Govt. Regulations	1,769	2,712	-	943
Animal Control	-	26	-	26
Other	162	86	-	(76)
Total Public Order & Safety	4,032	2,932	-	(1,100)
Health	796	106	-	(690)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,354	43	-	(1,311)
Solid Waste Management	9,097	10,344	-	1,247
Street Cleaning	3,031	-	-	(3,031)
Drainage	-	-	-	-
Stormwater Management	479	391	-	(88)
Total Environment	13,961	10,778	-	(3,183)
Community Services and Education				
Administration & Education	1,367	836	-	(531)
Social Protection (Welfare)	367	266	-	(101)
Aged Persons and Disabled	737	516	-	(221)
Children's Services	3,545	3,085	-	(460)
Total Community Services & Education	6,016	4,703	-	(1,313)
Housing and Community Amenities				
Public Cemeteries	42	73	-	31
Public Conveniences	812	-	-	(812)
Street Lighting	802	102	-	(700)
Town Planning	657	179	-	(478)
Other Community Amenities	43	-	-	(43)
Total Housing and Community Amenities	2,356	354	-	(2,002)

Manly Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,786	198	-	(1,588)
Museums	-	-	-	-
Art Galleries	838	132	-	(706)
Community Centres and Halls	88	117	-	29
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	37	-	-	(37)
Sporting Grounds and Venues	1,037	53	-	(984)
Swimming Pools	1,732	1,890	-	158
Parks & Gardens (Lakes)	2,783	169	-	(2,614)
Other Sport and Recreation	414	31	-	(383)
Total Recreation and Culture	8,715	2,590	-	(6,125)
Mining, Manufacturing and Construction				
Building Control	2,919	772	-	(2,147)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	2,919	772	-	(2,147)
Transport and Communication				
Urban Roads (UR) - Local	627	723	-	96
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	1,265	6,202	-	4,937
Footpaths	481	-	-	(481)
Aerodromes	-	-	-	-
Other Transport & Communication	580	532	-	(48)
Total Transport and Communication	2,953	7,457	-	4,504
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,267	333	-	(934)
Total Economic Affairs	1,267	333	-	(934)
Totals – Functions	59,681	34,177	2,616	(22,888)
General Purpose Revenues ⁽²⁾		27,388		27,388
Share of interests - joint ventures & associates using the equity method	-	92		92
NET OPERATING RESULT ⁽¹⁾	59,681	61,657	2,616	4,592

(1) As reported in the Income Statement

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

Manly Council

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

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,576	16,271	17,847	15,000	2,326	-	-	1,573	3,048	27,473	30,521
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	1,576	16,271	17,847	15,000	2,326	-	-	1,573	3,048	27,473	30,521
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	80	51	131	-	80	-	-	14	-	51	51
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	80	51	131	-	80	-	-	14	-	51	51
Total Debt	1,656	16,322	17,978	15,000	2,406	-	-	1,587	3,048	27,524	30,572

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

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

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	-	100	96	5,819	30%	30%	40%		0%
	Art Gallery	-	31	46	1,597			100%		0%
	Childcare Centres	-	17	63	4,452	30%	50%	20%		0%
	Community Centres	-	20	22	4,479		40%	60%		0%
	Emergency Services	-	-	-	1,166			100%		0%
	Housing	-	5	10	348		20%	80%		0%
	Library	-	38	53	8,181		45%	55%		0%
	Multi Storey Car park	-	118	141	11,307			100%		0%
	Pre School and Youth Centres	-	10	5	2,958		50%	50%		0%
	Public Amenities/Toilets	-	90	109	2,426		40%	60%		0%
	Recreational Sporting Grounds	-	11	22	10,602		40%	60%		0%
	Public Halls	-	-	-	325		50%	50%		0%
	Other Buildings	-	3	3	3,034		40%	60%		0%
	Senior Citizens Centre	-	12	13	1,820		30%	70%		0%
	Surf Pavillions	-	50	61	12,597			100%		0%
	Swimming Centre	-	100	133	933			100%		0%
	Works Depot	-	20	30	3,997		40%	60%		0%
	sub total	-	625	807	76,041	4.1%	25.9%	70.0%	0.0%	0.0%
Other Structures	Swimming Centre	-	-	-	934			100%		0%
	Car Spaces	-	-	-	25,313			100%		0%
	Seawalls	-	12	7	967			100%		0%
	Harbour Pools	-	120	171	860		20%	80%		0%
	Other	-	5	6	2,911			100%		0%
		sub total	-	137	184	30,985	0.0%	0.6%	99.4%	0.0%

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

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Roads	Bridges	-	-	-	1,142			100%		0%
	Road Wearing Surface	-	80	68	15,966	20%	40%	40%		0%
	Road Pavement	-	-	-	79,927		30%	70%		0%
	Road Formation	-	-	-	46,567		50%	50%		0%
	Road Linemarkings	100	37	60	53			70%	30%	0%
	Traffic Control	50	125	100	846		40%	50%	10%	0%
	Footpaths	250	330	325	20,523		30%	60%	10%	0%
	Kerb & Gutter	-	65	88	13,007	10%	20%	70%		0%
	Road Fence & Bollards	-	85	86	199		20%	80%		0%
	Road Signs	-	55	91	119		40%	60%		0%
	Other Road Assets	-	-	-	1,198		50%	50%		0%
	Road Furniture (part N9 - F&F)	-	100	143	2,235		50%	50%		0%
	Trees-Road (N9-LIMPR Non Depo	-	-	-	5,446			100%		0%
sub total		400	877	961	187,228	2.4%	34.5%	62.0%	1.1%	0.0%
Stormwater Drainage	Pipes	-	245	260	21,743		30%	70%		0%
	Pits	-	35	53	778		40%	60%		0%
	Other Storwater Assets	-	78	81	2,032		30%	70%		0%
	sub total		-	358	394	24,553	0.0%	30.3%	69.7%	0.0%

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

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Open Space/ Recreational Assets	Car Park	-	-	-	1,201			100%		0%
	Fence & Bollards	-	-	-	251			100%		0%
	Park Furniture	-	50	44	657			100%		0%
	Water & Irrigation	-	25	26	1,752		20%	80%		0%
	Roads & Pathways	-	90	30	6,157		30%	70%		0%
	Landscaping	-	1,214	1,375	9,522			100%		0%
	Lighting	-	-	-	1,444			100%		0%
	Waste Services Assets	-	-	-	255			100%		0%
	Other land Improvement Assets	-	20	22	2,431			100%		0%
	Playground Equipment	-	58	113	1,063	30%	40%	30%		0%
	Sports Fields	-	435	382	1,830			100%		0%
	Signs	-	-	-	19		30%	70%		0%
	Trees (N9-LIMPR Non Depc)	-	251	332	8,186			100%		0%
sub total		-	2,143	2,324	34,768	0.9%	7.6%	91.5%	0.0%	0.0%
TOTAL - ALL ASSETS		400	4,140	4,670	353,575	2.2%	26.7%	70.4%	0.6%	0.0%

Notes:

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

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

Manly Council

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>4,411</u>	81.96%	125.50%	69.46%
Depreciation, Amortisation & Impairment	<u>5,382</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>400</u>	0.00	0.00	0.03
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>337,708</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>4,670</u>	1.13	0.92	0.90
Required Asset Maintenance	<u>4,140</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>8,777</u>	1.04	1.67	1.36
Annual Depreciation	<u>8,401</u>			

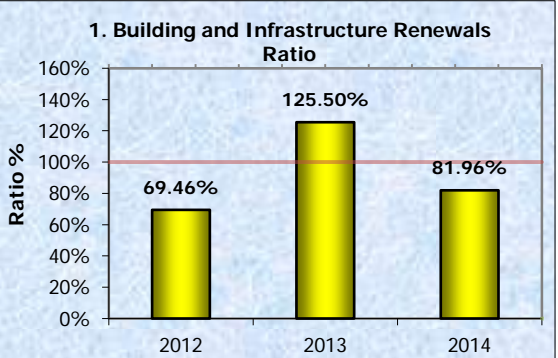
Notes

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

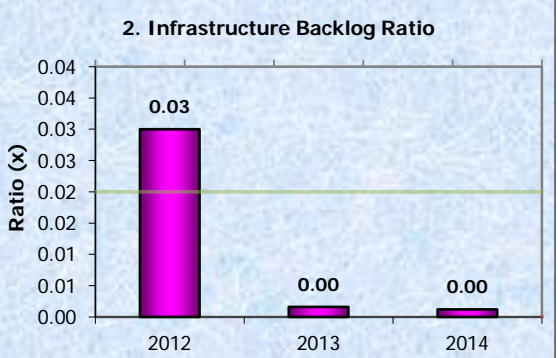
⁽²⁾ Written down value

Manly Council

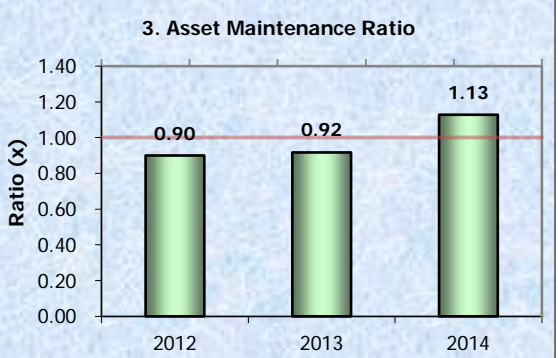
Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

1. Building and Infrastructure Renewals Ratio 	Purpose of Asset Renewals Ratio To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Commentary on 2013/14 Result 2013/14 Ratio 81.96% Council kept to its maintenance yearly program ensuring no backlog was carried forward. It did not feel it required to spend 100% on renewals given that in the prior year Council concentrated on elimination the 2012 back log spending over 125.5%. The past five year average is a healthy 134.3%.
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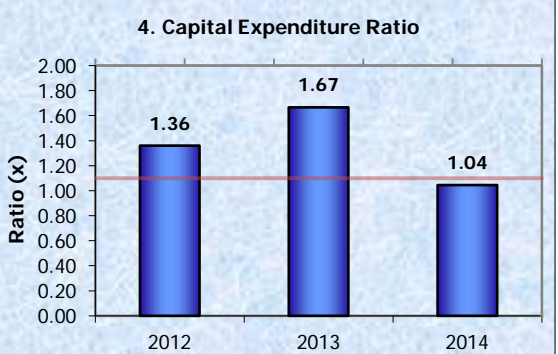
— Minimum 100.00%
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

2. Infrastructure Backlog Ratio 	Purpose of Infrastructure Backlog Ratio This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Commentary on 2013/14 Result 2013/14 Ratio 0.00 x Council currently does not have an infrastructure backlog as it has concentrated spending on all areas that had a rating below "satisfactory" to bring them to that level 3 which the community have expressed a sense of satisfaction with.
--	--	--

— Maximum .02
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

3. Asset Maintenance Ratio 	Purpose of Asset Maintenance Ratio Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.	Commentary on 2013/14 Result 2013/14 Ratio 1.13 x The above benchmark ratio for this year was due to a larger quantity of small maintenance jobs.
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— Minimum 1.00
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

4. Capital Expenditure Ratio 	Purpose of Capital Expenditure Ratio To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.	Commentary on 2013/14 Result 2013/14 Ratio 1.04 x This ratio was negatively affected by the WDV of disposal being a little high due to the disposal of an existing asset to make way for open space.
--	--	--

— Minimum 1.10
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Manly Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	64,273	65,572	74,665	72,795	74,552	78,358	80,879	83,720	86,470	89,341	92,331
Expenses from continuing operations	59,681	62,680	65,157	67,678	70,054	71,804	73,605	75,463	77,525	79,602	81,786
Operating Result from Continuing Operations	4,592	2,892	9,508	5,117	4,498	6,554	7,274	8,257	8,945	9,739	10,545
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	15,000	37,350	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	10,001	10,249	11,164	7,737	7,739	8,257	8,481	8,599	8,733	8,934	9,173
Total Capital Budget	25,001	47,599	11,164	7,737	7,739	8,257	8,481	8,599	8,733	8,934	9,173
Funded by:											
- Loans	16,000	37,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
- Asset sales	885	781	801	821	842	858	876	893	920	948	976
- Reserves	1,200	1,224	1,248	1,273	1,299	1,329	1,359	1,391	1,428	1,467	1,506
- Grants/Contributions	2,500	3,500	2,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
- Recurrent revenue	4,416	4,594	5,615	3,143	3,098	3,570	3,746	3,815	3,885	4,019	4,191
- Other	-	-	-	-	-	-	-	-	-	-	-
	25,001	47,599	11,164	7,737	7,739	8,257	8,481	8,599	8,733	8,934	9,173

Notes:

(1) From 13/14 Income Statement.

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

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

Manly Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	25,686	27,087
Plus or minus Adjustments ⁽²⁾	b	539	344
Notional General Income	c	26,225	27,431
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	892	631
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	27,117	28,062
plus (or minus) last year's Carry Forward Total	l	(23)	(4)
less Valuation Objections claimed in the previous year	m	(19)	(8)
sub-total	n = (l + m)	(42)	(12)
Total Permissible income	o = k + n	27,075	28,050
less Notional General Income Yield	p	27,087	28,121
Catch-up or (excess) result	q = o - p	(12)	(71)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	8	5
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	(4)	(66)

Notes

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

MANLY COUNCIL
SPECIAL SCHEDULE NO. 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 9

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

Responsibility of Council for Special Schedule No. 9

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

Auditors' Responsibility

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

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

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

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

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

Independence

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

Audit Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 17th day of October 2014