

MANLY COUNCIL ANNUAL REPORT TO THE COMMUNITY **2012 - 2013**

*Appendix 2 General Purpose Financial Statements
for the year ended 30 June 2013*



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Manly Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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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 15 October 2013. 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 2013

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 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. 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 Division of Local Government.

Manly Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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:

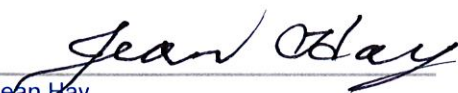
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.


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 09 September 2013.


Jean Hay
MAYOR


Alan Le Surf
COUNCILLOR


Mr Henry Wong
GENERAL MANAGER


Mrs Jenny Nascimento
RESPONSIBLE ACCOUNTING OFFICER

Manly Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾			Actual	Actual
2013	\$ '000	Notes	2013	2012
Income from Continuing Operations				
Revenue:				
35,368	Rates & Annual Charges	3a	35,447	33,969
11,968	User Charges & Fees	3b	13,373	12,050
912	Interest & Investment Revenue	3c	754	1,032
5,931	Other Revenues	3d	5,865	5,249
3,849	Grants & Contributions provided for Operating Purposes	3e,f	4,540	4,429
645	Grants & Contributions provided for Capital Purposes	3e,f	580	802
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	241	291
58,673	Total Income from Continuing Operations		60,884	57,822
Expenses from Continuing Operations				
29,644	Employee Benefits & On-Costs	4a	28,604	29,499
1,092	Borrowing Costs	4b	606	482
13,895	Materials & Contracts	4c	15,722	15,577
8,366	Depreciation & Amortisation	4d	8,614	8,462
-	Impairment	4d	-	-
5,365	Other Expenses	4e	5,979	5,361
-	Net Losses from the Disposal of Assets	5	-	41
58,362	Total Expenses from Continuing Operations		59,525	59,422
311	Operating Result from Continuing Operations		1,359	(1,600)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	103
311	Net Operating Result for the Year		1,359	(1,497)
311	Net Operating Result attributable to Council		1,359	(1,497)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(334)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		779	(2,299)

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

Manly Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		1,359	(1,497)
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		3,111	(1,497)
Total Comprehensive Income attributable to Council		3,111	(1,497)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Manly Council

Statement of Financial Position as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	8,367	10,850
Investments	6b	7,525	3,493
Receivables	7	3,278	3,331
Inventories	8	44	29
Other	8	144	147
Total Current Assets		19,358	17,850
Non-Current Assets			
Investments	6b	-	-
Receivables	7	336	320
Infrastructure, Property, Plant & Equipment	9	695,708	688,178
Investments accounted for using the equity method	19	1,808	1,680
Intangible Assets	25	917	961
Other	8	326	1,834
Total Non-Current Assets		699,095	692,973
TOTAL ASSETS		718,453	710,823
LIABILITIES			
Current Liabilities			
Payables	10	10,514	9,668
Borrowings	10	1,656	1,191
Provisions	10	6,657	6,440
Total Current Liabilities		18,827	17,299
Non-Current Liabilities			
Payables	10	-	2,231
Borrowings	10	16,322	11,100
Provisions	10	203	203
Total Non-Current Liabilities		16,525	13,534
TOTAL LIABILITIES		35,352	30,833
Net Assets		683,101	679,990
EQUITY			
Retained Earnings	20	502,427	501,068
Revaluation Reserves	20	180,674	178,922
Council Equity Interest		683,101	679,990
Non-controlling Interests		-	-
Total Equity		683,101	679,990

Manly Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '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)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		501,068	178,922	679,990	-	679,990
c. Net Operating Result for the Year		1,359	-	1,359	-	1,359
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	1,752	1,752	-	1,752
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
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		502,427	180,674	683,101	-	683,101

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		502,565	178,922	681,487	-	681,487
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		502,565	178,922	681,487	-	681,487
c. Net Operating Result for the Year		(1,497)	-	(1,497)	-	(1,497)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		(1,497)	-	(1,497)	-	(1,497)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		501,068	178,922	679,990	-	679,990

Manly Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
35,324	Rates & Annual Charges		35,386	33,670
12,076	User Charges & Fees		14,290	12,993
904	Investment & Interest Revenue Received		735	927
4,527	Grants & Contributions		4,952	5,835
5,870	Other		7,769	7,339
Payments:				
(29,644)	Employee Benefits & On-Costs		(28,459)	(28,694)
(13,944)	Materials & Contracts		(17,383)	(17,009)
(1,008)	Borrowing Costs		(580)	(458)
-	Bonds, Deposits & Retention amounts refunded		(82)	(70)
(5,365)	Other		(7,322)	(6,525)
8,740	Net Cash provided (or used in) Operating Activities	11b	9,306	8,008
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		1,070	302
978	Sale of Infrastructure, Property, Plant & Equipment		598	550
-	Distributions Received from Joint Ventures & Associates		112	92
Payments:				
-	Purchase of Investment Securities		(5,084)	(1,500)
(15,215)	Purchase of Infrastructure, Property, Plant & Equipment		(14,172)	(11,074)
(14,237)	Net Cash provided (or used in) Investing Activities		(17,476)	(11,630)
Cash Flows from Financing Activities				
Receipts:				
7,030	Proceeds from Borrowings & Advances		7,030	3,900
-	Proceeds from Finance Leases		40	48
Payments:				
(1,156)	Repayment of Borrowings & Advances		(1,232)	(1,098)
(140)	Repayment of Finance Lease Liabilities		(151)	(229)
5,734	Net Cash Flow provided (used in) Financing Activities		5,687	2,621
237	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,483)	(1,001)
10,822	plus: Cash & Cash Equivalents - beginning of year	11a	10,850	11,851
11,059	Cash & Cash Equivalents - end of the year	11a	8,367	10,850
Additional Information:				
	plus: Investments on hand - end of year	6b	7,525	3,493
Total Cash, Cash Equivalents & Investments			15,892	14,343

Please refer to Note 11 for additional cash flow information

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and

(ii) all the related operating results (for the financial year ended the 30th June 2013).

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

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

(i) The Consolidated Fund

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

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

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

- 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.

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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 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

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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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 Division 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 based on NSW Valuer General's valuation base date 1/07/2008. For lands with no Valuer General's valuation, external valuation has been used.)
- **Land Improvements** (internal Valuation)
- **Other Structures** (internal Valuation)
- **Other Assets** (internal Valuation)

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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Stormwater Assets	
Drainage Infrastructure	> \$10,000

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 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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Other Equipment	
- Playground equipment	5 years
- Benches, seats etc	10 to 20 years
Buildings	
- Buildings	50 to 100 years
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 (where appropriate), at each balance sheet date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council's interest in Kimbriki Waste Services Access Rights is recognised as an Intangible Asset and will be amortised over the life of the asset.

(n) Crown Reserves

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

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

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

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

(o) 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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

(p) Impairment of assets

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

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

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was

deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

(q) Payables

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

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

(r) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(s) Borrowing costs

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(t) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(u) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 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 2013 was \$440,670.

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 \$1,056,940 as at 30 June 2013.

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 30/6/13.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(v) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(x) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(y) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

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 (effective from 1 January 2015)

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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

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 2014.

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(z) Rounding of amounts

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

(aa) Comparative Figures

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

(ab) Disclaimer

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	-	-	-	3,725	3,364	2,621	(3,725)	(3,364)	(2,621)	-	-	-	-
Administration	5,767	5,007	4,840	10,049	11,909	13,703	(4,282)	(6,902)	(8,863)	86	-	24,311	20,931
Public Order & Safety	3,340	3,114	2,781	4,519	4,235	4,360	(1,179)	(1,121)	(1,579)	55	-	15,340	15,213
Health	145	58	113	842	800	841	(697)	(742)	(728)	4	4	845	845
Environment	9,476	10,013	9,517	14,186	14,139	13,059	(4,710)	(4,126)	(3,542)	259	380	-	-
Community Services & Education	4,458	4,468	4,054	6,266	5,931	5,064	(1,808)	(1,463)	(1,010)	1,679	1,550	19,023	16,680
Housing & Community Amenities	139	364	240	2,295	2,298	2,572	(2,156)	(1,934)	(2,332)	369	286	21,550	21,469
Recreation & Culture	2,095	1,943	1,871	8,834	9,260	9,037	(6,739)	(7,317)	(7,166)	237	351	336,440	337,170
Mining, Manufacturing & Construction	818	720	745	2,733	2,915	3,157	(1,915)	(2,195)	(2,412)	-	-	-	-
Transport & Communication	6,082	7,728	6,901	3,543	3,354	3,752	2,539	4,374	3,149	219	296	297,036	294,698
Economic Affairs	542	496	318	1,370	1,320	1,256	(828)	(824)	(938)	-	-	2,100	2,137
Total Functions & Activities	32,862	33,911	31,380	58,362	59,525	59,422	(25,500)	(25,614)	(28,042)	2,908	2,867	716,645	709,143
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	241	291	-	-	-	-	241	291	-	-	1,808	1,680
General Purpose Income ¹	25,811	26,732	26,254	-	-	-	25,811	26,732	26,254	1,274	1,571	-	-
Operating Result from Continuing Operations	58,673	60,884	57,925	58,362	59,525	59,422	311	1,359	(1,497)	4,182	4,438	718,453	710,823

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 2013

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, other community amenities.

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, RTA 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 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		20,235	19,458
Business		4,519	4,346
Total Ordinary Rates		24,754	23,804
Special Rates			
Business		1,198	1,143
Total Special Rates		1,198	1,143
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		9,107	8,637
Stormwater Management Services		359	358
Section 611 Charges		29	27
Total Annual Charges		9,495	9,022
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>35,447</u>	<u>33,969</u>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		76	9
Total User Charges		76	9
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspections		93	59
Planning & Building Regulation		952	961
Total Fees & Charges - Statutory/Regulatory		1,045	1,020
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Admission & Service Fees		2,800	2,770
Filming		33	8
Footpath Rental		708	909
Licence - Advertising Signs		431	423
Parking Fees		5,291	4,725
Rental & Hire of Non-Investment Property		194	180
RMS (formerly RTA) Charges (State Roads not controlled by Council)		1,563	859
Sponsorships		24	22
Swimming Centres		1,029	935
Other		179	190
Total Fees & Charges - Other		12,252	11,021
TOTAL USER CHARGES & FEES		13,373	12,050

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		115	125
- Interest earned on Investments (interest & coupon payment income)		621	763
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		18	144
TOTAL INTEREST & INVESTMENT REVENUE		754	1,032
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		115	125
General Council Cash & Investments		541	835
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		50	28
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		48	44
Total Interest & Investment Revenue Recognised		754	1,032
(d) Other Revenues			
Fines		2,981	2,698
Legal Fees Recovery - Rates & Charges (Extra Charges)		105	65
Legal Fees Recovery - Other		25	46
Commissions & Agency Fees		8	7
Diesel Rebate		32	36
Food & Wine / Jazz Festival Income		229	97
Insurance Claim Recoveries		169	40
Lease Rental		1,884	1,739
Recycling Income (non domestic)		10	7
Sales - General		155	147
Meals on Wheels		-	150
Dividend from KEE		99	-
Other		168	217
TOTAL OTHER REVENUE		5,865	5,249

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	-	1,441	-	-
Financial Assistance - General Component	851	-	-	-
Financial Assistance - Local Roads Component	294	-	-	-
Pensioners' Rates Subsidies - General Component	129	130	-	-
Total General Purpose	1,274	1,571	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	63	63	-	-
Community Care	1,765	1,605	-	-
Employment & Training Programs	45	30	-	-
Environmental Programs	401	363	-	-
Heritage & Cultural	222	60	-	-
Library - per capita	79	78	-	-
Library - special projects	32	31	-	-
Recreation & Culture	-	59	-	194
Street Lighting	102	100	-	-
Transport (Roads to Recovery)	148	148	-	-
Transport (Other Roads & Bridges Funding)	51	59	-	-
Other	-	77	-	-
Total Specific Purpose	2,908	2,673	-	194
Total Grants	4,182	4,244	-	194
Grant Revenue is attributable to:				
- Commonwealth Funding	2,015	1,589	-	-
- State Funding	2,167	2,555	-	-
- Other Funding	-	100	-	194
	4,182	4,244	-	194

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	580	608
Total Developer Contributions	17	-	580	608
Other Contributions:				
Community Services	63	14	-	-
Environmental Programs	3	(18)	-	-
Heritage/Cultural	-	3	-	-
Recreation & Culture	75	26	-	-
RMS Contributions (Regional Roads, Block Grant)	217	160	-	-
Total Other Contributions	358	185	-	-
Total Contributions	358	185	580	608
TOTAL GRANTS & CONTRIBUTIONS	4,540	4,429	580	802

\$ '000	Actual 2013	Actual 2012
(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	5,858	5,210
add: Grants & contributions recognised in the current period but not yet spent:	1,348	1,006
less: Grants & contributions recognised in a previous reporting period now spent:	(1,869)	(358)
Net Increase (Decrease) in Restricted Assets during the Period	(521)	648
Unexpended and held as Restricted Assets	5,337	5,858
Comprising:		
- Specific Purpose Unexpended Grants	1,329	980
- Developer Contributions	4,008	4,878
	5,337	5,858

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		23,011	22,278
Travelling		4	2
Employee Leave Entitlements (ELE)		3,497	3,801
Superannuation - Defined Contribution Plans		2,450	2,566
Workers' Compensation Insurance		717	1,119
Fringe Benefit Tax (FBT)		132	134
Training Costs (other than Salaries & Wages)		260	188
Other		27	14
Total Employee Costs		30,098	30,102
less: Capitalised Costs		(1,494)	(603)
TOTAL EMPLOYEE COSTS EXPENSED		28,604	29,499
Number of "Equivalent Full Time" Employees at year end		365	408
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		802	633
Charges relating to Finance Leases		19	30
Total Interest Bearing Liability Costs		821	663
less: Capitalised Costs		(215)	(181)
Total Interest Bearing Liability Costs Expended		606	482
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		606	482

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		12,684	12,376
Contractor & Consultancy Costs		1,817	1,893
Auditors Remuneration ⁽¹⁾		115	123
Legal Expenses:			
- Legal Expenses: Planning & Development		818	1,005
- Legal Expenses: Other		288	180
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>15,722</u>	<u>15,577</u>

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	48	51
- Other audit & assurance services - Internal Auditor	67	72
Remuneration for audit and other assurance services	<u>115</u>	<u>123</u>
Total Auditor Remuneration	<u>115</u>	<u>123</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,638	1,596
Office Equipment		-	-	848	865
Furniture & Fittings		-	-	404	409
Property, Plant & Equipment - Leased		-	-	79	118
Land Improvements (depreciable)		-	-	1,366	1,272
Buildings - Non Specialised		-	-	588	524
Buildings - Specialised		-	-	617	653
Other Structures		-	-	246	232
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	2,010	2,013
- Stormwater Drainage		-	-	550	549
Other Assets					
- Library Books		-	-	224	187
Intangible Assets	25	-	-	44	44
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>8,614</u>	<u>8,462</u>

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Bad & Doubtful Debts		4	2
Bank Charges		208	191
Contributions/Levies to Other Levels of Government		1,069	1,087
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		166	200
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		75	56
Donations, Contributions & Assistance to other organisations (Section 356)		347	297
- Donations, Contributions & Assistance (MOW reimbursement to GF)		-	(98)
Electricity & Heating		856	640
Insurance		1,320	1,089
Meals on Wheels		-	86
Postage		93	84
Street Lighting		848	820
Subscriptions & Publications		327	316
Telephone & Communications		233	239
Valuation Fees		58	65
Water Rates & Charges		281	187
Other		57	64
<u>TOTAL OTHER EXPENSES</u>		<u>5,979</u>	<u>5,361</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		20	105
less: Carrying Amount of Property Assets Sold / Written Off		(63)	(175)
Net Gain/(Loss) on Disposal		(43)	(70)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		578	445
less: Carrying Amount of P&E Assets Sold / Written Off		(451)	(289)
Net Gain/(Loss) on Disposal		127	156
Infrastructure			
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(127)
Net Gain/(Loss) on Disposal		-	(127)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		1,070	302
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(1,070)	(302)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>84</u>	<u>(41)</u>

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		470	-	1,036	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,897	-	4,494	-
- Short Term Deposits		3,000	-	5,320	-
Total Cash & Cash Equivalents		8,367	-	10,850	-
Investments (Note 6b)					
- Long Term Deposits		6,568	-	1,500	-
- NCD's, FRN's (with Maturities > 3 months)		957	-	923	-
- CDO's		-	-	1,070	-
Total Investments		7,525	-	3,493	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		15,892	-	14,343	-

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"		8,367	-	10,850	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	957	-	1,993	-
b. "Held to Maturity"	6(b-ii)	6,568	-	1,500	-
Investments		7,525	-	3,493	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 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	1,993	-	2,151	-
Revaluations (through the Income Statement)	18	-	144	-
Additions	16	-	-	-
Disposals (sales & redemptions)	(1,070)	-	(302)	-
Balance at End of Year	957	-	1,993	-
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	957	-	923	-
- CDO's	-	-	1,070	-
Total	957	-	1,993	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	1,500	-	-	-
Additions	5,068	-	1,500	-
Balance at End of Year	6,568	-	1,500	-
Comprising:				
- Long Term Deposits	6,568	-	1,500	-
Total	6,568	-	1,500	-
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 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	15,892	-	14,343	-
attributable to:				
External Restrictions (refer below)	6,057	-	6,578	-
Internal Restrictions (refer below)	8,393	-	6,360	-
Unrestricted	1,442	-	1,405	-
	15,892	-	14,343	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	4,878	630	(1,500)	4,008
Specific Purpose Unexpended Grants (F)	980	349	-	1,329
Other	720	-	-	720
External Restrictions - Other	6,578	979	(1,500)	6,057
Total External Restrictions	6,578	979	(1,500)	6,057

Internal Restrictions

Plant & Vehicle Replacement	-	1,198	-	1,198
Infrastructure Replacement	1,903	697	-	2,600
Employees Leave Entitlement	1,328	200	-	1,528
Deposits, Retentions & Bonds	1,588	209	-	1,797
Balgowah Area Improvements	280	162	-	442
Depot Redevelopment	152	-	-	152
Environment Levy	122	155	-	277
Manly Wharf Forecourt	50	-	-	50
Manly Youth Council	6	-	(6)	-
Meals on Wheels	349	-	(81)	268
Shelly Beach Improvements	9	-	-	9
Unexpended Loans	573	-	(501)	72
Total Internal Restrictions	6,360	2,621	(588)	8,393
TOTAL RESTRICTIONS	12,938	3,600	(2,088)	14,450

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

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

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,080	325	1,034	310
Interest & Extra Charges		20	16	65	15
User Charges & Fees		953	-	940	-
Accrued Revenues					
- Interest on Investments		138	-	93	-
- Other Income Accruals		332	-	301	-
Government Grants & Subsidies		378	-	210	-
Net GST Receivable		392	-	749	-
Other Debtors		-	-	7	-
Total		3,293	341	3,399	325
less: Provision for Impairment					
Rates & Annual Charges		(12)	(5)	(12)	(5)
User Charges & Fees		(3)	-	(56)	-
Total Provision for Impairment - Receivables		(15)	(5)	(68)	(5)
<u>TOTAL NET RECEIVABLES</u>		<u>3,278</u>	<u>336</u>	<u>3,331</u>	<u>320</u>
Externally Restricted Receivables					
Domestic Waste Management		40	-	225	-
Total External Restrictions		40	-	225	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,238	336	3,106	320
TOTAL NET RECEIVABLES		<u>3,278</u>	<u>336</u>	<u>3,331</u>	<u>320</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 10.00% (2012 11.00%).
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 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		44	-	29	-
Total Inventories		44	-	29	-
Other Assets					
Prepayments		144	-	147	-
Work In Progress		-	326	-	1,834
Total Other Assets		144	326	147	1,834
TOTAL INVENTORIES / OTHER ASSETS		188	326	176	1,834

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period					as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Plant & Equipment	-	10,706	6,588	-	4,118	2,215	(385)	(1,638)	540	-	-	13,287	8,437	-	4,850
Office Equipment	-	9,275	6,579	-	2,696	1,210	-	(848)	-	-	-	10,329	7,271	-	3,058
Furniture & Fittings	-	5,777	3,227	-	2,550	332	-	(404)	-	-	-	6,109	3,631	-	2,478
Plant & Equipment (under Finance Lease)	-	2,358	1,599	-	759	84	(66)	(79)	(540)	-	-	484	326	-	158
Land:															
- Operational Land	-	84,271	-	-	84,271	-	(63)	-	1,964	380	-	86,552	-	-	86,552
- Community Land	-	237,367	-	-	237,367	4,225	-	-	(1,964)	-	-	239,628	-	-	239,628
Land Improvements - non depreciable	-	13,615	-	-	13,615	-	-	-	-	-	-	13,615	-	-	13,615
Land Improvements - depreciable	-	43,650	17,679	-	25,971	969	-	(1,366)	7	-	-	44,626	19,045	-	25,581
Buildings - Non Specialised	-	38,238	8,283	-	29,955	365	-	(588)	-	1,193	-	38,462	7,537	-	30,925
Buildings - Specialised	-	61,961	17,794	-	44,167	2,238	-	(617)	(7)	179	-	61,950	15,990	-	45,960
Other Structures	-	39,674	8,943	-	30,731	677	-	(246)	-	-	-	40,352	9,190	-	31,162
Infrastructure:															
- Roads, Bridges, Footpaths	-	237,457	56,574	-	180,883	2,193	-	(2,010)	-	-	-	239,650	58,584	-	181,066
- Stormwater Drainage	-	44,234	18,903	-	25,331	63	-	(550)	-	-	-	44,297	19,453	-	24,844
Other Assets:															
- Heritage Collections	-	4,421	-	-	4,421	18	-	-	-	-	-	4,439	-	-	4,439
- Library Books	-	4,747	3,404	-	1,343	273	-	(224)	-	-	-	5,019	3,627	-	1,392
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	837,751	149,573	-	688,178	14,862	(514)	(8,570)	-	1,752	-	848,799	153,091	-	695,708

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$6.748mil) , New Assets (\$4.6mil) and Replacement of non infrastructure and building assets (\$3.514mil) . Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,173	-	1,955	-
Goods & Services - capital expenditure		1,282	-	593	-
Payments Received In Advance		366	-	346	-
Accrued Expenses:					
- Borrowings		160	-	134	-
- Other Expenditure Accruals		48	-	70	2,231
Security Bonds, Deposits & Retentions		6,324	-	6,406	-
Other		161	-	164	-
Total Payables		10,514	-	9,668	2,231
Borrowings					
Loans - Secured ¹		1,576	16,271	1,044	11,005
Finance Lease Liabilities		80	51	147	95
Total Borrowings		1,656	16,322	1,191	11,100
Provisions					
Employee Benefits;					
Annual Leave		2,033	-	1,991	-
Sick Leave		168	-	161	-
Long Service Leave		3,917	191	3,755	191
ELE On-Costs		539	12	533	12
Total Provisions		6,657	203	6,440	203
Total Payables, Borrowings & Provisions		18,827	16,525	17,299	13,534

(i) Liabilities relating to Restricted Assets

Nil

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 2013

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

\$ '000	Actual 2013	Actual 2012
(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	4,592	4,170
Payables - Security Bonds, Deposits & Retentions	5,800	5,800
	<u>10,392</u>	<u>9,970</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	1,991	1,649	(1,776)	169	-	2,033
Sick Leave	161	14	(9)	2	-	168
Long Service Leave	3,946	777	(704)	89	-	4,108
ELE On-Costs	545	6	-	-	-	551
TOTAL	6,643	2,446	(2,489)	260	-	6,860

- 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 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,367	10,850
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,367	10,850
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		1,359	(1,497)
Adjust for non cash items:			
Depreciation & Amortisation		8,614	8,462
Net Losses/(Gains) on Disposal of Assets		(84)	41
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(18)	(144)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(241)	(291)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		90	268
Increase/(Decrease) in Provision for Doubtful Debts		(53)	(92)
Decrease/(Increase) in Inventories		(15)	-
Decrease/(Increase) in Other Assets		1,511	1,091
Increase/(Decrease) in Payables		218	166
Increase/(Decrease) in accrued Interest Payable		26	24
Increase/(Decrease) in other accrued Expenses Payable		(2,253)	(736)
Increase/(Decrease) in Other Liabilities		(65)	(89)
Increase/(Decrease) in Employee Leave Entitlements		217	805
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,306	8,008
(c) Non-Cash Investing & Financing Activities			
Nil			

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		20	20
Total Financing Arrangements		420	420
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		15	3
Total Financing Arrangements Utilised		15	3

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Note 12. Commitments for Expenditure

	Actual	Actual
(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	139	738
Other Structures	1,265	296
Other - Road works	324	-
These expenditures are payable as follows:		
Within the next year	1,728	1,034
Total Payable	1,728	1,034
Sources for Funding of Capital Commitments:		
Unrestricted General Funds	339	283
Sect 64 & 94 Funds/Reserves	-	26
Externally Restricted Reserves	-	551
Internally Restricted Reserves	-	87
Unexpended Loans	-	87
New Loans (to be raised)	1,265	-
Other Funding Infrastructure levy	124	-
Total Sources of Funding	1,728	1,034

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2013	Actual 2012		
(b) Finance Lease Commitments					
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:					
Within the next year		93	170		
Later than one year and not later than 5 years		57	110		
Later than 5 years		-	-		
Total Minimum Lease Payments		150	280		
less: Future Finance Charges		(19)	(38)		
Amount Recognised as a Liability		131	242		
(ii) Finance Lease Liability Recognised represent;					
Current Liabilities		80	147		
Non-Current Liabilities		51	95		
Total Finance Lease Liabilities Disclosed		131	242		
(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	Y	131	242
Total Carrying Value at Year End				131	242

(c) Operating Lease Commitments (Non Cancellable)

Nil

Conditions relating to Finance Leases:

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

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Manly Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>13,261</u>	1.57 : 1	1.51	1.25
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>8,435</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>2,204</u>	3.86%	3.67%	3.44%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>57,038</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>35,447</u>	58.22%	58.75%	55.47%
Income from Continuing Operations	<u>60,884</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,424</u>	3.84%	3.98%	3.50%
Rates, Annual & Extra Charges Collectible	<u>37,074</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>6,748</u>	125.50%	69.46%	155.60%
Depreciation, Amortisation & Impairment	<u>5,377</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

Manly Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
<u>- Operating Expenses</u>	<u>761</u>			
Operating Revenue (excl. Capital Grants & Contributions)	60,286	1.26%	-4.48%	-1.50%
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	48,820			
<u>Total Operating Revenue (incl. Capital Grants & Contributions)</u>	<u>60,866</u>	80.21%	76.50%	79.79%
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	13,261			
<u>Current Liabilities less Specific Purpose Liabilities</u>	<u>8,435</u>	1.57	1.51	1.25
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	9,981			
<u>Principal Repayments (from the Statement of Cash Flows)</u>	<u>1,989</u>	5.02	3.54	5.14
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	14,348			
<u>Annual Depreciation</u>	<u>8,614</u>	1.67	1.36	1.23
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	552			
<u>Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets</u>	<u>339,538</u>	0.00	0.03	0.03
g. Asset Maintenance Ratio				
Actual Asset Maintenance	5,907			
<u>Required Asset Maintenance</u>	<u>6,442</u>	0.92	0.90	0.90
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	6,748			
<u>Depreciation of Building and Infrastructure Assets</u>	<u>5,377</u>	1.25	0.69	1.56
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	8,367			
<u>(Total Expenses - Depreciation - Interest Costs) x12</u>	<u>4,192</u>	2.00	2.58	2.80
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	9,981			
<u>Borrowing Interest Costs (from the income statement)</u>	<u>606</u>	16.47	13.27	13.02

Manly Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>1.30</td> </tr> <tr> <td>2011</td> <td>1.25</td> </tr> <tr> <td>2012</td> <td>1.51</td> </tr> <tr> <td>2013</td> <td>1.57</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	1.30	2011	1.25	2012	1.51	2013	1.57	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.57 : 1</p> <p>Improved result on prior year and it is above both Council's and Tcorp's benchmark due to an increase in unrestricted current assets.</p>
Year	Ratio : 1											
2010	1.30											
2011	1.25											
2012	1.51											
2013	1.57											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>3.67%</td> </tr> <tr> <td>2011</td> <td>3.44%</td> </tr> <tr> <td>2012</td> <td>3.67%</td> </tr> <tr> <td>2013</td> <td>3.86%</td> </tr> </tbody> </table>	Year	Ratio %	2010	3.67%	2011	3.44%	2012	3.67%	2013	3.86%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 3.86%</p> <p>Continued overall trend for this ratio well below the DLG benchmark of 10%.</p>
Year	Ratio %											
2010	3.67%											
2011	3.44%											
2012	3.67%											
2013	3.86%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>53.76%</td> </tr> <tr> <td>2011</td> <td>55.47%</td> </tr> <tr> <td>2012</td> <td>58.75%</td> </tr> <tr> <td>2013</td> <td>58.22%</td> </tr> </tbody> </table>	Year	Ratio %	2010	53.76%	2011	55.47%	2012	58.75%	2013	58.22%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 58.22%</p> <p>Similar result to prior year. It is higher compared to 2009 and 2010 due to a decline in one off large capital grant funding.</p>
Year	Ratio %											
2010	53.76%											
2011	55.47%											
2012	58.75%											
2013	58.22%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>3.16%</td> </tr> <tr> <td>2011</td> <td>3.50%</td> </tr> <tr> <td>2012</td> <td>3.98%</td> </tr> <tr> <td>2013</td> <td>3.84%</td> </tr> </tbody> </table>	Year	Ratio %	2010	3.16%	2011	3.50%	2012	3.98%	2013	3.84%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 3.84%</p> <p>Improvement on prior year's result due to current economic climate promoting debt repayment and savings.</p>
Year	Ratio %											
2010	3.16%											
2011	3.50%											
2012	3.98%											
2013	3.84%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>239.00%</td> </tr> <tr> <td>2011</td> <td>155.60%</td> </tr> <tr> <td>2012</td> <td>69.46%</td> </tr> <tr> <td>2013</td> <td>125.50%</td> </tr> </tbody> </table>	Year	Ratio %	2010	239.00%	2011	155.60%	2012	69.46%	2013	125.50%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 125.50%</p> <p>Asset renewals in 2013 focused on catching up with 2012 backlog works as well as keeping to the 2013 program.</p>
Year	Ratio %											
2010	239.00%											
2011	155.60%											
2012	69.46%											
2013	125.50%											

Manly Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated)

<p>a. Operating Performance</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>-1.50%</td> </tr> <tr> <td>2012</td> <td>-4.48%</td> </tr> <tr> <td>2013</td> <td>1.26%</td> </tr> </tbody> </table>	Year	Ratio %	2011	-1.50%	2012	-4.48%	2013	1.26%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.26%</p> <p>Good result for Council breaking away from the past trend and exceeding Tcorp's benchmark of -4.0%. This was due to increased income and at the same time keeping expenses at the same level as prior year.</p>
Year	Ratio %									
2011	-1.50%									
2012	-4.48%									
2013	1.26%									
<p>b. Own Source Operating Revenue</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>79.79%</td> </tr> <tr> <td>2012</td> <td>76.50%</td> </tr> <tr> <td>2013</td> <td>80.21%</td> </tr> </tbody> </table>	Year	Ratio %	2011	79.79%	2012	76.50%	2013	80.21%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 80.21%</p> <p>Another good result exceeding both the DLG Group2 average for the past 4 years of 75% and Tcorp's benchmark of 60%.</p>
Year	Ratio %									
2011	79.79%									
2012	76.50%									
2013	80.21%									
<p>c. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.25</td> </tr> <tr> <td>2012</td> <td>1.51</td> </tr> <tr> <td>2013</td> <td>1.57</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.25	2012	1.51	2013	1.57	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.57</p> <p>Manly Council's result compares favourably with Tcorp's benchmark of 1.50 though it is below the DLG Group2 average of 2.5% mainly due to Council using its own reserve funds instead of external loans.</p>
Year	Ratio (x)									
2011	1.25									
2012	1.51									
2013	1.57									
<p>d. Debt Service Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>5.14</td> </tr> <tr> <td>2012</td> <td>3.54</td> </tr> <tr> <td>2013</td> <td>5.02</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	5.14	2012	3.54	2013	5.02	<p>Purpose of Debt Service Cover Ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 5.02 x</p> <p>Tcorp's benchmark is 2.0X . Manly is more than double the benchmark due to its low borrowings outstanding.</p>
Year	Ratio (x)									
2011	5.14									
2012	3.54									
2013	5.02									
<p>e. Capital Expenditure Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.23</td> </tr> <tr> <td>2012</td> <td>1.36</td> </tr> <tr> <td>2013</td> <td>1.67</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.23	2012	1.36	2013	1.67	<p>Purpose of Capital Expenditure Ratio</p> <p>This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.67 x</p> <p>This ratio is also well in excess of Tcorp's benchmark of 1.0X and the DLG Group 2 average. This year saw a spike in this ratio due to prior year catch up works carried out.</p>
Year	Ratio (x)									
2011	1.23									
2012	1.36									
2013	1.67									

Manly Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated) continued

<p>f. Infrastructure Backlog Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.03</td> </tr> <tr> <td>2012</td> <td>0.03</td> </tr> <tr> <td>2013</td> <td>0.00</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.03	2012	0.03	2013	0.00	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.00 x</p> <p>Tcorp's benchmark is 0.02X. Council has been close to this benchmark consistently over the past 3 years.</p>
Year	Ratio (x)									
2011	0.03									
2012	0.03									
2013	0.00									
<p>g. Asset Maintenance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.90</td> </tr> <tr> <td>2012</td> <td>0.90</td> </tr> <tr> <td>2013</td> <td>0.92</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.90	2012	0.90	2013	0.92	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.92 x</p> <p>Tcorp's benchmark is 1.0X . Council is compliant with this measurement though just slightly below at 0.9 X. This is mainly due to Council carrying out substantive capital renewal works.</p>
Year	Ratio (x)									
2011	0.90									
2012	0.90									
2013	0.92									
<p>h. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.56</td> </tr> <tr> <td>2012</td> <td>0.69</td> </tr> <tr> <td>2013</td> <td>1.26</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.56	2012	0.69	2013	1.26	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.25 x</p> <p>Tcorp's benchmark is 1.0X . Council's result is well above it after falling just short in 2012 but has since caught up on this short fall in the current 2013 year.</p>
Year	Ratio (x)									
2011	1.56									
2012	0.69									
2013	1.26									
<p>i. Cash Expense Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>2.80</td> </tr> <tr> <td>2012</td> <td>2.58</td> </tr> <tr> <td>2013</td> <td>2.00</td> </tr> </tbody> </table>	Year	Ratio (mths)	2011	2.80	2012	2.58	2013	2.00	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.00 mths</p> <p>Manly is slightly below Tcorp's benchmark of 3.0 months but has shown over the past years that Council's liquidity has always been sufficient.</p>
Year	Ratio (mths)									
2011	2.80									
2012	2.58									
2013	2.00									
<p>j. Interest Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>13.02</td> </tr> <tr> <td>2012</td> <td>13.27</td> </tr> <tr> <td>2013</td> <td>16.47</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	13.02	2012	13.27	2013	16.47	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt & take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.00 x</p> <p>Council at 16.49X continues the trend of being well above Tcorp's benchmark of 4X.</p>
Year	Ratio (x)									
2011	13.02									
2012	13.27									
2013	16.47									

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	8,367	10,850	8,367	12,221
Investments				
- "Held for Trading"	957	1,993	957	1,993
- "Held to Maturity"	6,568	1,500	6,568	-
Receivables	3,614	3,651	3,439	3,815
Total Financial Assets	19,506	17,994	19,331	18,029
Financial Liabilities				
Payables	10,148	11,553	10,148	11,553
Loans / Advances	17,847	12,049	17,847	12,046
Lease Liabilities	131	242	131	245
Total Financial Liabilities	28,126	23,844	28,126	23,844

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.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	957	-	-	957
Total Financial Assets	957	-	-	957
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	923	-	1,070	1,993
Total Financial Assets	923	-	1,070	1,993

The following table presents the movement in Level 3 financial instruments

	Assets 2013	Assets 2012
Opening Balance (of Level 3 fair values)	1,070	1,332
Disposals	(1,070)	-
Other	-	(262)
Closing Balance	-	1,070

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with 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
2013				
Possible impact of a 1% movement in Interest Rates	150	150	(150)	(150)
2012				
Possible impact of a 10% movement in Market Values	200	200	(200)	(200)
Possible impact of a 1% movement in Interest Rates	140	140	(140)	(140)

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	1,504	13	552
Past due by up to 30 days	782	132	456	432
Past due between 31 and 180 days	132	422	328	1,417
Past due between 181 and 365 days	133	171	627	-
Past due by more than 1 year	358	-	-	-
	<u>1,405</u>	<u>2,229</u>	<u>1,424</u>	<u>2,401</u>

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	73	165
+ new provisions recognised during the year	-	6
- amounts already provided for & written off this year	(53)	(98)
Balance at the end of the year	<u>20</u>	<u>73</u>

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	6,324	3,824	-	-	-	-	-	10,148	10,148
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	6,324	5,480	1,470	1,470	1,446	1,161	10,775	28,126	28,126
2012									
Trade/Other Payables	6,406	2,916	-	-	-	-	2,231	11,553	11,553
Loans & Advances	-	1,126	1,011	1,011	1,011	1,011	6,826	11,997	12,049
Lease Liabilities	-	147	25	25	25	25	-	245	242
Total Financial Liabilities	6,406	4,189	1,036	1,036	1,036	1,036	9,057	23,795	23,844

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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,148	2.0%	11,553	2.0%
Loans & Advances - Fixed Interest Rate	2,692	7.3%	3,201	7.3%
Loans & Advances - Variable Interest Rate	15,155	4.8%	8,848	5.6%
Lease Liabilities	131	12.0%	242	12.0%
	<u>28,126</u>		<u>23,844</u>	

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 04 June 2012.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	35,368	35,447	79	0%	F
User Charges & Fees	11,968	13,373	1,405	12%	F
Favourable variation is primarily due to an increase in parking fee income of (+800K), an increase in childcare fees of (+350K) and an increase in contributions to road works of (+1000K).					
Interest & Investment Revenue	912	754	(158)	(17%)	U
Variation is the result of the RBA Monetary Policy to decrease the target cash rate three times during the financial year.					
Other Revenues	5,931	5,865	(66)	(1%)	U
Operating Grants & Contributions	3,849	4,540	691	18%	F
The Favourable variation is due to an increase in Children Services (+366K), an increase in Environment and Social Planning of (+180K) and various contributions to Other Family Services, Recreation & Culture and Heritage (+130K).					
Capital Grants & Contributions	645	580	(65)	(10%)	U
Variation due principally to one major project co funded by Council.					
Net Gains from Disposal of Assets	-	84	84	0%	F
Share of Net Profits - Joint Ventures & Associates	-	241	241	0%	F

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*		
EXPENSES					
Employee Benefits & On-Costs	29,644	28,604	1,040	4%	F
Borrowing Costs	1,092	606	486	45%	F
Variation as a result of RBA Monetary Policy to decrease the cash rates three times during the financial year together with the previous year's four decreases lead to lower interest costs on new and existing variable loans of (+271K) and the capitalisation of interest costs during construction of major works (+215K).					
Materials & Contracts	13,895	15,722	(1,827)	(13%)	U
The variation was due mainly to an increase in Legal Service costs and legal fees (+610K), waste tipping fees and other waste disposal costs (+603K), contractors and consultant (+500K) and fines processing fees (+85K).					
Depreciation & Amortisation	8,366	8,614	(248)	(3%)	U
Other Expenses	5,365	5,979	(614)	(11%)	U
Budget variation was mainly due to increased insurance costs (+254), utility and street lighting costs (+307K) and water charges (+62K).					

\$ '000	2013 Budget	2013 Actual	2013 Variance*		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	8,740	9,306	566	6.5%	F
Cash Flows from Investing Activities	(14,237)	(17,476)	(3,239)	22.8%	U
The variation is due to investment of cash reserves in short term deposits as opposed to cash equivalent deposits with a term less than three months maturity.					
Cash Flows from Financing Activities	5,734	5,687	(47)	(0.8%)	U

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	214	14	-	2	-	-	230	-	-	230	-
Parking	212	272	-	5	-	-	489	-	-	489	-
Open Space	1,523	65	-	4	(1,229)	-	363	-	-	363	-
Community Facilities	(109)	20	-	-	(271)	-	(360)	-	-	(360)	-
Streetscape/Transport	1,249	95	-	14	-	-	1,358	-	-	1,358	-
Environmental Programs (incl. drainage)	1,890	114	-	22	-	-	2,026	-	-	2,026	-
Library & Recreation	(350)	-	-	-	-	-	(350)	-	-	(350)	-
S94 Contributions - under a Plan	4,629	580	-	47	(1,500)	-	3,756	-	-	3,756	-
Total S94 Revenue Under Plans	4,629	580	-	47	(1,500)	-	3,756				-
S94 not under Plans	249	-	-	3	-	-	252	-	-	252	-
Total Contributions	4,878	580	-	50	(1,500)	-	4,008	-	-	4,008	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	203	7	-	2	-	-	212			212	
Parking	108	272	-	4	-	-	384			384	
Open Space	944	65	-	(2)	(1,154)	-	(147)			(147)	
Community Facilities	(144)	11	-		(166)	-	(299)			(299)	
Streetscape/Transport	631	29	-	7	-	-	667			667	
Environmental Programs (incl. drainage)	1,053	43	-	12	-	-	1,108			1,108	
Total	2,795	427	-	23	(1,320)	-	1,925	-	-	1,925	-

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	6	7	-	-	-	-	13			13	
Community Facilities	7	8	-	-	-	-	15			15	
Streetscape/Transport	38	48	-	1	-	-	87			87	
Environmental Programs (incl. drainage)	36	45	-	1	-	-	82			82	
Total	87	108	-	2	-	-	197	-	-	197	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	28	1	-	-	(105)	-	(76)			(76)	
Streetscape/Transport	580	18	-	6	-	-	604			604	
Environmental Programs (incl. drainage)	801	26	-	9	-	-	836			836	
Total	1,414	45	-	15	(105)	-	1,369	-	-	1,369	-

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	224	-	-	3	-	-	227			227	
Library & Recreation	17	-	-	-	-	-	17			17	
Total	241	-	-	3	-	-	244	-	-	244	-

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	355	-	-	3	(75)	-	283			283	
Library & Recreation	(367)	-	-	-	-	-	(367)			(367)	
Total	(12)	-	-	3	(75)	-	(84)	-	-	(84)	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	104	-	-	1	-	-	105			105	
Total	104	-	-	1	-	-	105	-	-	105	-

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	
Affordable Housing	249	-	-	3	-	-	252			252	
Total	249	-	-	3	-	-	252	-	-	252	-

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 from 1 July 2009 & 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 benefit plan, because the assets of the scheme are pooled together for all employers.

The amount of employee contributions recognised as an expense for the year ending 30 June 2013 was \$440,670. The scheme is monitored annually and the Actuary has estimated that as at 30 June 2013 the employers share of this deficit was \$1.057M.

(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 2013

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 2013

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 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	-	-	-	-
Joint Venture Entities	241	291	1,808	1,680
Total	241	291	1,808	1,680

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Shorelink Library Network	Sharing of Library Infrastructure	45	51
Kimbriki Environmental Enterprises P/L	Recycling & Waste Disposal	1,763	1,629
Total Carrying Amounts - Joint Venture Entities		1,808	1,680

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Shorelink Library Network	14%	14%	17%	17%	20%	20%
Kimbriki Environmental Enterprises P/L	11%	11%	11%	11%	11%	11%

(c) Movement in Carrying Amounts

	Shorelink Library Network		Kimbriki Environmental Enterprises P/L	
	2013	2012	2013	2012
Opening Balance	51	37	1,629	1,444
Share in Operating Result	(6)	11	247	280
Distributions Received	-	-	(112)	(94)
Adjustments to Equity	-	3	(1)	(1)
Council's Equity Share in the Joint Venture Entity	45	51	1,763	1,629

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Shorelink Library Network	49	8	12	-	45
Kimbriki Environmental Enterprises P/L	1,695	505	260	177	1,763
Totals	1,744	513	272	177	1,808
2012					
Shorelink Library Network	53	8	10	-	51
Kimbriki Environmental Enterprises P/L	1,541	424	272	64	1,629
Totals	1,594	432	282	64	1,680

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

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	102	108	(6)	86	75	11
Kimbriki Environmental Enterprises P/L	2,597	2,350	247	2,405	2,125	280
Totals	2,699	2,458	241	2,491	2,200	291

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Note 20. Equity - Retained Earnings and Revaluation Reserves

Notes	Actual 2013	Actual 2012
(a) Retained Earnings		
Movements in Retained Earnings were as follows:		
Balance at beginning of Year (from previous years audited accounts)	501,068	502,565
d. Net Operating Result for the Year	1,359	(1,497)
Balance at End of the Reporting Period	502,427	501,068
(b) Reserves		
(i) Reserves are represented by:		
- Infrastructure, Property, Plant & Equipment Revaluation Reserve	180,674	178,922
Total	180,674	178,922
(ii) Reconciliation of movements in Reserves:		
Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	178,922	178,922
- Revaluations for the year	9(a) 1,752	-
- Balance at End of Year	180,674	178,922
TOTAL VALUE OF RESERVES	180,674	178,922

(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 2013

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

\$ '000

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

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

(d) Voluntary Changes in Accounting Policies

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

Note 21. Financial Result & Financial Position by Fund

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".

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 23. Events occurring after the Reporting Period

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2013) 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 15/10/13.

(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 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is aware of the following "non-adjusting events" that merit disclosure;

The Land and Environment Court handed down a decision on 9th October 2013 in relation to the Stuart St properties classifying them as Community Land. This reclassification will be reflected in the Financial Statements for 2013-2014.

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 24. Discontinued Operations

\$ '000	Actual 2013	Actual 2012
(i) Discontinued Operations		
On 4 November 2011, Council finalised the sale of its Commercial Waste Services to JJ Richards & Sons Pty Ltd.		
(ii) Financial Performance of Discontinued Operations		
Financial Performance		
Revenues	-	376
Expenses	-	(735)
Gross Profit/(Loss) of Discontinued Operations	-	(359)
Gain/(Losses) On Reclassification &/or Sale		
Consideration Received for Discontinued Operations	-	462
Gain/(Loss) on Reclassification/Sale	-	462
<u>NET PROFIT/(LOSS) from DISCONTINUED OPERATIONS</u>	<u>-</u>	<u>103</u>
(iii) Net Carrying Value of Discontinued Operations		
Commercial Waste Services		
Carrying Value - Assets	-	48
Carrying Value - Liabilities	-	(32)
Net Carrying Value	-	16
Total Value of Discontinued Operations (On Hand)	-	16

Manly Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

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

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	1,093	1,093
Accumulated Amortisation (1/7/12)	(132)	(88)
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	961	1,005
Movements for the year		
- Amortisation charges	(44)	(44)
Closing Values:		
Gross Book Value (30/6/13)	1,093	1,093
Accumulated Amortisation (30/6/13)	(176)	(132)
Accumulated Impairment (30/6/13)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>917</u>	<u>961</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	-	-
- Kimbriki Access Rights	917	961
	917	961

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 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

1 Belgrave Street
Manly NSW 2095

Contact Details

Mailing Address:

PO Box 82
Manly NSW 2095

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

Ms Joanna Brama

AUDITORS

Hill Rogers Spencer Steer

Elected Members

MAYOR

Jean Hay

COUNCILLORS

Clr Adele Heasman

Clr Barbara Aird

Clr Hugh Burns

Clr Lauren Elder

Clr Cathy Griffin

Clr Alan Le Surf

Clr Dr Peter A Macdonald MB MS MRCGP DA DRCOG

Clr Richard Morrison

Clr David Murphy

Clr Mark Norek

Clr Craig Whitting

Clr Candy Bingham (elected 8/9/2012)

Clr James Griffin (elected 8/9/2012)

Clr Steve Pickering (elected 8/9/2012)

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 2013, 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 infrastructure backlog and asset maintenance ratios disclosed in Note 13 or the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 15th day of October 2013

Hill Rogers
Spencer Steer

15 October 2013

The Mayor
Manly Council
PO Box 82
MANLY NSW 2095

Mayor,

Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$1.359 million as compared with a deficit of \$1.497 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.

	2013 \$'000	% of Total	2012 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	35,447	59%	33,969	60%	1,478
User charges, fees & other revenues	19,563	32%	17,590	31%	1,973
Grants & contributions provided for operating purposes	4,540	8%	4,429	8%	111
Interest & investment revenue	754	1%	1,032	2%	(278)
	60,304	100%	57,020	100%	3,284
Expenses					
Employee benefits & costs	28,604	48%	29,499	50%	(895)
Materials, contracts & other expenses	21,701	36%	20,979	35%	722
Depreciation, amortisation & impairment	8,614	14%	8,462	14%	152
Borrowing costs	606	1%	482	1%	124
	59,525	100%	59,422	100%	103
Operating result from discontinued operations	-		103		(103)
Surplus/(Deficit) before capital items	779		(\$2,299)		3,078
Grants & contributions provided for capital purposes	580		802		(222)
Net Surplus/(Deficit) for the year	1,359		(1,497)		2,856

The table above shows an overall increase compared with the previous year of \$2.856 million and can be mainly attributed to increased residential rates, charges to RMS and parking fees.

1.2 Funding Result

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

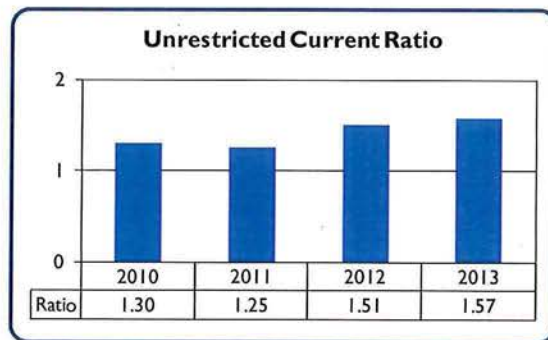
	2013 \$'000	2012 \$'000
Funds were provided by:-		
Operating Result (as above)	1,359	(1,497)
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,614	8,462
- Book value of non current assets sold	514	591
- (Surplus)/Deficit in joint ventures	(241)	(291)
	<hr/>	<hr/>
New loan borrowings	7,030	3,900
Finance Leases	40	48
Transfers from externally restricted assets (net)	706	0
Transfers from internal reserves (net)	0	78
Distributions from joint ventures	112	94
Net Changes in current/non current assets & liabilities	0	4,034
	<hr/>	<hr/>
	18,134	15,419
Funds were applied to:-		
Purchase and construction of assets	(14,862)	(12,064)
Principal repaid on loans	(1,232)	(1,098)
Finance lease instalments	(151)	(229)
Transfers to externally restricted assets (net)	0	(654)
Transfers to internal reserves (net)	(2,033)	0
Net Changes in current/non current assets & liabilities	(603)	0
	<hr/>	<hr/>
	(18,881)	(14,045)
Increase/(Decrease) in Available Working Capital	(747)	1,374

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio (UCR)

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 \$4.826 million representing a factor of 1.57 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$678,000 as detailed below;

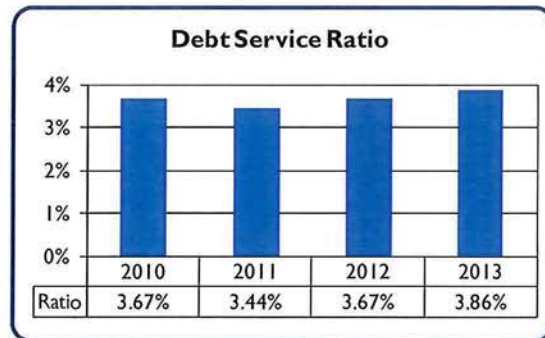
	2013	2012	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	531	551	(20)
Add: Payables & provisions not expected to be realised in the next 12 months included above	10,392	9,970	422
Adjusted Net Current Assets	10,923	10,521	402
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,656	1,191	465
- Employees leave entitlements	2,065	2,270	(205)
- Deposits & retention moneys	524	606	(82)
Less: Externally restricted assets	(6,097)	(6,803)	706
Less: Internally restricted assets	(8,393)	(6,360)	(2,033)
Available Working Capital as at 30 June	\$ 678	\$ 1,425	\$ (747)

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 and inventories 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 and the balanced budget adopted for the year ending 30 June 2014, we are of the opinion that Available Working Capital as at 30 June 2013 was satisfactory.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 3.86%.

After repaying principal and interest of \$2.204 million and taking up new loans and leases of \$7.07 million during the year, total debt as at 30 June 2013 stood at \$17.978 million (2012 - \$12.291 million).



2.4 Summary

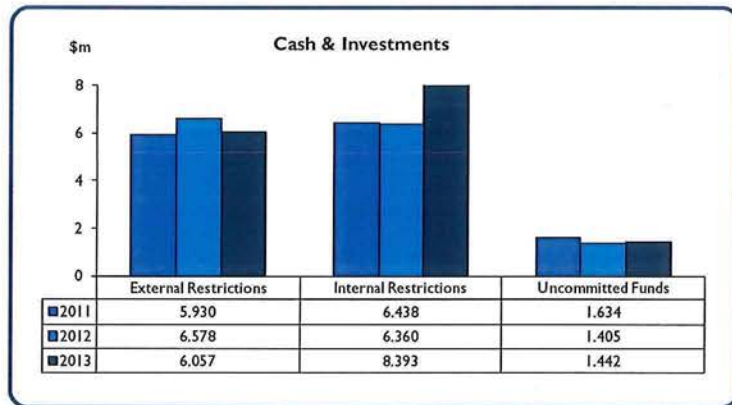
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$15.892 million at the close of the year as compared with \$14.343 million in 2012 and \$14.002 million in 2011.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 of \$4.008 million, specific purpose grants of \$1.329 million and Art Galley funds of \$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 \$8.393 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.442 million, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$2.483 million to \$8.367 million at the close of the year.

In addition to operating activities which contributed net cash of \$9.306 million were the sale of investments securities (\$1.07 million), proceeds from borrowings (\$7.07 million), distributions from joint ventures (\$112,000) and sale of assets (\$598,000). Cash outflows other than operating activities were used to repay loans and finance leases (\$1.383 million) and purchase and construct assets (\$14.172 million).

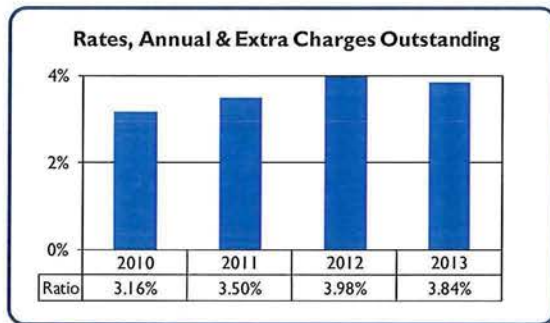
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$35.447 million and represented 58.22% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$36.774 million of which \$35.386 million (96.23%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.424 million at the end of the year and represented 3.84% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$2.193 million and mainly consisted of user charges and fees (\$953,000), amounts due from government departments (\$770,000) and accrued interest on investments and other revenues (\$470,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$3,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$6.86 million.

Internally restricted cash and investments were held amounting to \$1.528 million representing 22% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

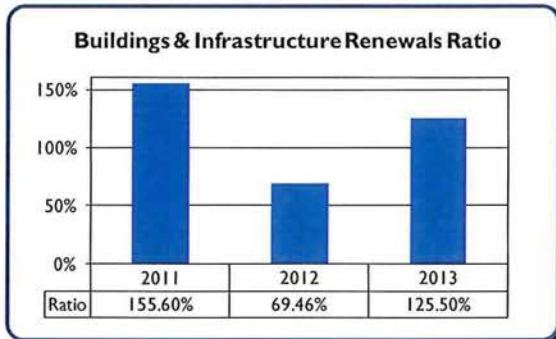
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.324 million of which \$1.797 million was held in internally restricted cash and investments, representing 28% of the liability.

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.

The ratio indicates that asset renewals for 2013 represented 125.5% 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 interim audit was issued on 15 April 2013 and this included our suggestions on possible ways to strengthen and/or improve procedures.

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 financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	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 2013

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".

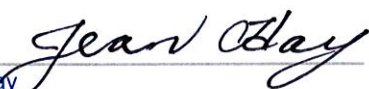
To the best of our knowledge and belief, these Financial Statements:

- 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 09 September 2013.

Jean Hay
MAYOR




Alan Le Surf
COUNCILLOR



Mr Henry Wong
GENERAL MANAGER



Mrs Jenny Nascimento
RESPONSIBLE ACCOUNTING OFFICER



Manly Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Domestic Waste Management		Commercial Waste	
	Category 1		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	9,107	8,637	-	-
User charges	73	9	-	376
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	327	303	-	-
Profit from the sale of assets	-	-	-	-
Other income	10	7	-	462
Total income from continuing operations	9,517	8,956	-	838
Expenses from continuing operations				
Employee benefits and on-costs	2,494	2,028	-	452
Borrowing costs	-	-	-	-
Materials and contracts	4,039	3,515	-	-
Depreciation and impairment	674	674	-	500
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	2,775	2,662	-	88
Total expenses from continuing operations	9,982	8,879	-	1,040
Surplus (deficit) from Continuing Operations before capital amounts	(465)	77	-	(202)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(465)	77	-	(202)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(465)	77	-	(202)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(23)	-	-
SURPLUS (DEFICIT) AFTER TAX	(465)	54	-	(202)
plus Opening Retained Profits	1,577	665	16	6
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	23	-	-
add:				
- Subsidy Paid/Contribution To Operations	(437)	835	(16)	212
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	675	1,577	-	16
Return on Capital %	-23.1%	3.8%	n/a	n/a
Subsidy from Council	541	-	-	202

Manly Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Parking Stations		Swim Centre	
	Category 1		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	5,304	4,727	1,029	935
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	131	99
Total income from continuing operations	5,304	4,727	1,160	1,034
Expenses from continuing operations				
Employee benefits and on-costs	159	153	877	800
Borrowing costs	-	-	-	-
Materials and contracts	1,060	821	163	267
Depreciation and impairment	86	86	24	24
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	367	302	409	343
Total expenses from continuing operations	1,672	1,362	1,473	1,434
Surplus (deficit) from Continuing Operations before capital amounts	3,632	3,365	(313)	(400)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	3,632	3,365	(313)	(400)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	3,632	3,365	(313)	(400)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,090)	(1,010)	-	-
SURPLUS (DEFICIT) AFTER TAX	2,542	2,356	(313)	(400)
plus Opening Retained Profits	60	155	(109)	(74)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,090	1,010	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	309	365
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(3,636)	(3,460)	-	-
Closing Retained Profits	56	60	(113)	(109)
Return on Capital %	6603.6%	6118.2%	-530.5%	-678.0%
Subsidy from Council	-	-	315	402

Manly Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2013

Childrens Services

\$ '000	Category 1	
	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	2,468	2,592
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	885	762
Profit from the sale of assets	-	-
Other income	12	12
Total income from continuing operations	3,365	3,366
Expenses from continuing operations		
Employee benefits and on-costs	2,423	2,726
Borrowing costs	-	-
Materials and contracts	395	480
Depreciation and impairment	18	18
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	730	399
Total expenses from continuing operations	3,566	3,623
Surplus (deficit) from Continuing Operations before capital amounts	(201)	(257)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(201)	(257)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(201)	(257)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(201)	(257)
plus Opening Retained Profits	(263)	(206)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	321	200
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(143)	(263)
Return on Capital %	-228.4%	-292.0%
Subsidy from Council	204	260

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

\$ '000	Domestic Waste Management		Commercial Waste	
	Category 1		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	208	236	-	48
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	208	236	-	48
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	2,012	2,012	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	2,012	2,012	-	-
TOTAL ASSETS	2,220	2,248	-	48
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	951	29	-	-
Interest bearing liabilities	-	-	-	-
Provisions	589	639	-	32
Total Current Liabilities	1,540	668	-	32
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	5	3	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	5	3	-	-
TOTAL LIABILITIES	1,545	671	-	32
NET ASSETS	675	1,577	-	16
EQUITY				
Retained earnings	675	1,577	-	16
Revaluation reserves	-	-	-	-
Council equity interest	675	1,577	-	16
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	675	1,577	-	16

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

\$ '000	Parking Stations		Swim Centre	
	Category 1		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	20	17	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	20	17	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	55	55	59	59
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	55	55	59	59
TOTAL ASSETS	75	72	59	59
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	17	9	171	164
Total Current Liabilities	17	9	171	164
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	2	3	1	4
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	2	3	1	4
TOTAL LIABILITIES	19	12	172	168
NET ASSETS	56	60	(113)	(109)
EQUITY				
Retained earnings	56	60	(113)	(109)
Revaluation reserves	-	-	-	-
Council equity interest	56	60	(113)	(109)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	56	60	(113)	(109)

Manly Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Childrens Services

Category 1

\$ '000	Actual 2013	Actual 2012
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	88	88
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	88	88
TOTAL ASSETS	88	88
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	207	319
Total Current Liabilities	207	319
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	24	32
Other Liabilities	-	-
Total Non-Current Liabilities	24	32
TOTAL LIABILITIES	231	351
NET ASSETS	(143)	(263)
EQUITY		
Retained earnings	(143)	(263)
Revaluation reserves	-	-
Council equity interest	(143)	(263)
Non-controlling equity interest	-	-
TOTAL EQUITY	(143)	(263)

Manly Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division 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 Division 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. Commercial Waste Management

Comprising the collection of commercial rated properties in Council's municipality.

This business was sold to a third party in October 2011.

b. 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.

Manly Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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 **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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.

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 2013

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 3.77% at 30/6/13.

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 2013, 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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Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 15th day of October 2013

Manly Council

Special Schedules

for the financial year ended 30 June 2013

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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 - Income Statement	n/a
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¹ Special Purpose Schedules are not audited.

Background

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

Manly Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	3,364	-	-	(3,364)
Administration	11,909	4,427	580	(6,902)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,027	-	-	(1,027)
Beach Control	1,126	105	-	(1,021)
Enforcement of Local Govt. Regulations	1,915	2,931	-	1,016
Animal Control	-	23	-	23
Other	167	55	-	(112)
Total Public Order & Safety	4,235	3,114	-	(1,121)
Health	800	58	-	(742)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	868	115	-	(753)
Solid Waste Management	9,466	9,520	-	54
Street Cleaning	3,210	-	-	(3,210)
Drainage	-	-	-	-
Stormwater Management	595	378	-	(217)
Total Environment	14,139	10,013	-	(4,126)
Community Services and Education				
Administration & Education	1,317	707	-	(610)
Social Protection (Welfare)	452	246	-	(206)
Aged Persons and Disabled	663	542	-	(121)
Children's Services	3,499	2,973	-	(526)
Total Community Services & Education	5,931	4,468	-	(1,463)
Housing and Community Amenities				
Public Cemeteries	43	74	-	31
Public Conveniences	594	-	-	(594)
Street Lighting	860	167	-	(693)
Town Planning	758	96	-	(662)
Other Community Amenities	43	27	-	(16)
Total Housing and Community Amenities	2,298	364	-	(1,934)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Manly Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	1,966	201	-	(1,765)
Museums	649	205	-	(444)
Art Galleries	-	-	-	-
Community Centres and Halls	519	115	-	(404)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	54	-	-	(54)
Sporting Grounds and Venues	1,001	52	-	(949)
Swimming Pools	1,649	1,160	-	(489)
Parks & Gardens (Lakes)	2,921	179	-	(2,742)
Other Sport and Recreation	501	31	-	(470)
Total Recreation and Culture	9,260	1,943	-	(7,317)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	2,915	720	-	(2,195)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	2,915	720	-	(2,195)
Transport and Communication				
Urban Roads (UR) - Local	668	1,875	-	1,207
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	1,512	5,304	-	3,792
Footpaths	492	-	-	(492)
Aerodromes	-	-	-	-
Other Transport & Communication	682	549	-	(133)
Total Transport and Communication	3,354	7,728	-	4,374
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,320	496	-	(824)
Total Economic Affairs	1,320	496	-	(824)
Totals – Functions	59,525	33,331	580	(25,614)
General Purpose Revenues⁽²⁾		26,732		26,732
Share of interests - joint ventures & associates using the equity method	-	241		241
NET OPERATING RESULT⁽¹⁾	59,525	60,304	580	1,359

(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 2013

\$'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	1,044	11,005	12,049	7,030	1,232	-	-	802	1,576	16,271	17,847
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	1,044	11,005	12,049	7,030	1,232	-	-	802	1,576	16,271	17,847
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	147	95	242	40	151	-	-	19	80	51	131
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	147	95	242	40	151	-	-	19	80	51	131
Total Debt	1,191	11,100	12,291	7,070	1,383	-	-	821	1,656	16,322	17,978

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).

Manly Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 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
(i) OPERATING BUDGET											
Income from continuing operations	60,884	60,939	63,480	69,433	71,095	77,289	79,855	92,020	84,368	87,115	90,243
Expenses from continuing operations	59,525	59,231	61,788	66,235	68,709	71,275	73,151	74,969	76,560	78,661	81,187
Operating Result from Continuing Operations	1,359	1,708	1,692	3,198	2,386	6,014	6,704	17,051	7,808	8,454	9,056
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	4,225	35,350	14,500	18,000	17,000						
Replacement/Refurbishment of Existing Assets	8,820	7,506	6,029	6,024	6,055	6,823	6,937	7,409	7,572	7,784	7,481
Total Capital Budget	13,045	42,856	20,529	24,024	23,055	6,823	6,937	7,409	7,572	7,784	7,481
Funded by:											
– Loans	4,800	36,350	15,500	19,000	17,000	1,000	1,000	1,000	1,000	1,000	1,000
– Asset sales	599	900	902	921	939	958	977	1,000	1,015	1,046	1,077
– Reserves	3,020	621	842	833	841	1,000	1,500	1,500	1,500	1,500	1,500
– Grants/Contributions	1,573	1,000	500	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000
– Recurrent revenue	1,475	1,291	500	500	1,000	2,368	1,958	2,336	2,459	2,615	2,325
– Other	1,578	2,694	2,285	2,270	2,275	497	502	573	598	623	579
	13,045	42,856	20,529	24,024	23,055	6,823	6,937	7,409	7,572	7,784	7,481

Notes:

(1) From 12/13 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 ANNUAL REPORT TO THE COMMUNITY 2012 - 2013

END OF APPENDIX 2



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