

General Purpose & Special Purpose Financial Reports

For the Year Ended 30 June 2013



PITTWATER COUNCIL

Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013



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

Pittwater Council

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

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Front cover: Great Egret at Warriewood Wetlands

Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 20 August 2013. Council has the power to amend and reissue these financial statements.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 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 and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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 and 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 and must be presented at a Council meeting between 7 days and 5 weeks after the date of the Audit Report.

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

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

More information...

A summary of Council's key financial figures over the past 5 years can be found at Note 22 of the financial statements.

Pittwater 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:

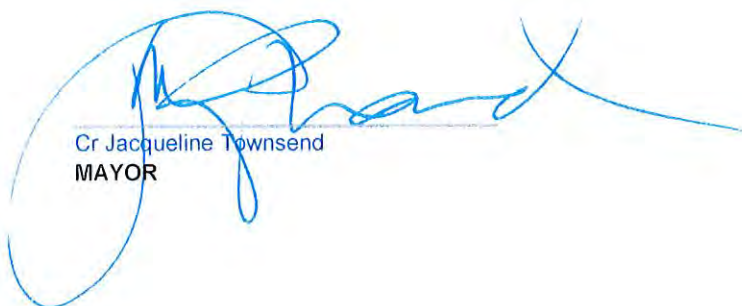
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

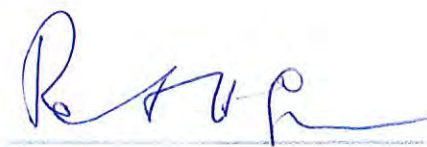
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 19 August 2013.



Cr Jacqueline Townsend
MAYOR



Councillor
COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
46,519	Rates & Annual Charges	3a	46,451	43,568
13,169	User Charges & Fees	3b	14,782	13,813
1,402	Interest & Investment Revenue	3c	1,867	1,911
3,164	Other Revenues	3d	3,357	3,354
3,738	Grants & Contributions provided for Operating Purposes	3e,f	4,189	5,134
7,120	Grants & Contributions provided for Capital Purposes	3e,f	13,616	9,439
Other Income:				
2,139	Net gains from the disposal of assets	5	631	90
-	Net Share of interests in Joint Ventures & Associated			
350	Entities using the equity method	19	681	1,274
77,601	Total Income from Continuing Operations		85,574	78,583
Expenses from Continuing Operations				
27,844	Employee Benefits & On-Costs	4a	27,177	26,171
633	Borrowing Costs	4b	683	487
14,988	Materials & Contracts	4c	15,911	16,501
8,370	Depreciation & Amortisation	4d	8,403	8,025
17,397	Other Expenses	4e	17,377	16,854
69,232	Total Expenses from Continuing Operations		69,551	68,038
8,369	Operating Result from Continuing Operations		16,023	10,545
8,369	Net Operating Result for the Year		16,023	10,545
1,249	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		2,407	1,106

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

Pittwater 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)		16,023	10,545
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	4,351
Total Items which will not be reclassified subsequently to the Operating Result		-	4,351
Total Other Comprehensive Income for the year		-	4,351
Total Comprehensive Income for the Year		16,023	14,896

Pittwater Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	4,335	11,692
Investments	6b	31,250	22,530
Receivables	7	3,777	4,122
Inventories	8	59	56
Other	8	879	335
Total Current Assets		40,300	38,735
Non-Current Assets			
Receivables	7	968	883
Infrastructure, Property, Plant & Equipment	9	1,035,914	1,017,013
Investments accounted for using the equity method	19	6,789	6,467
Investment Property	14	1,800	1,750
Intangible Assets	21	2,952	3,093
Total Non-Current Assets		1,048,423	1,029,206
TOTAL ASSETS		1,088,723	1,067,941
LIABILITIES			
Current Liabilities			
Payables	10	5,131	6,581
Borrowings	10	1,340	955
Provisions	10	7,883	7,189
Total Current Liabilities		14,354	14,725
Non-Current Liabilities			
Borrowings	10	12,290	7,160
Provisions	10	155	155
Total Non-Current Liabilities		12,445	7,315
TOTAL LIABILITIES		26,799	22,040
Net Assets		1,061,924	1,045,901
EQUITY			
Retained Earnings	20	1,011,442	995,419
Revaluation Reserves	20	50,482	50,482
Total Equity		1,061,924	1,045,901

Pittwater 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)		995,419	50,482	1,045,901	-	1,045,901
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		995,419	50,482	1,045,901	-	1,045,901
c. Net Operating Result for the Year		16,023	-	16,023	-	16,023
Total Comprehensive Income (c&d)		16,023	-	16,023	-	16,023
Equity - Balance at end of the reporting period		1,011,442	50,482	1,061,924	-	1,061,924
2012						
Opening Balance (as per Last Year's Audited Accounts)		1,263,297	46,131	1,309,428	-	1,309,428
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	(278,423)	-	(278,423)	-	(278,423)
Revised Opening Balance (as at 1/7/11)		984,874	46,131	1,031,005	-	1,031,005
c. Net Operating Result for the Year		10,545	-	10,545	-	10,545
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	4,351	4,351	-	4,351
Other Comprehensive Income		-	4,351	4,351	-	4,351
Total Comprehensive Income (c&d)		10,545	4,351	14,896	-	14,896
Equity - Balance at end of the reporting period		995,419	50,482	1,045,901	-	1,045,901

Pittwater 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:				
46,605	Rates & Annual Charges		46,405	43,387
12,815	User Charges & Fees		16,191	14,996
1,402	Investment & Interest Revenue Received		1,765	1,939
11,358	Grants & Contributions		6,993	15,447
-	Bonds, Deposits & Retention amounts received		163	499
3,018	Other		6,821	6,312
Payments:				
(28,055)	Employee Benefits & On-Costs		(26,563)	(25,127)
(14,474)	Materials & Contracts		(20,001)	(15,982)
(633)	Borrowing Costs		(683)	(487)
-	Bonds, Deposits & Retention amounts refunded		(128)	(590)
(17,397)	Other		(19,812)	(19,078)
<u>14,639</u>	Net Cash provided (or used in) Operating Activities	11b	<u>11,151</u>	<u>21,316</u>
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		22,575	21,574
6,945	Sale of Infrastructure, Property, Plant & Equipment		1,791	1,190
350	Distributions Received from Joint Ventures & Associates		359	302
Payments:				
(23,365)	Purchase of Investment Securities		(31,250)	(21,762)
-	Purchase of Infrastructure, Property, Plant & Equipment		(17,498)	(14,441)
<u>(16,070)</u>	Net Cash provided (or used in) Investing Activities		<u>(24,023)</u>	<u>(13,137)</u>
Cash Flows from Financing Activities				
Receipts:				
2,500	Proceeds from Borrowings & Advances		6,500	2,400
Payments:				
(932)	Repayment of Borrowings & Advances		(957)	(855)
-	Repayment of Finance Lease Liabilities		(28)	(26)
<u>1,568</u>	Net Cash Flow provided (used in) Financing Activities		<u>5,515</u>	<u>1,519</u>
137	Net Increase/(Decrease) in Cash & Cash Equivalents		(7,357)	9,698
22,209	plus: Cash & Cash Equivalents - beginning of year	11a	11,692	1,994
<u>22,346</u>	Cash & Cash Equivalents - end of the year	11a	<u>4,335</u>	<u>11,692</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	31,250	22,530
	Total Cash, Cash Equivalents & Investments		<u>35,585</u>	<u>34,222</u>

Pittwater Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	4,335	11,692	1,994
Investments	6b	31,250	22,530	22,267
Receivables	7	3,777	4,122	4,546
Inventories	8	59	56	57
Other	8	879	335	300
Non-current assets classified as 'held for sale'		-	-	4,625
Total Current Assets		40,300	38,735	33,789
Non-Current Assets				
Receivables	7	968	883	870
Infrastructure, Property, Plant & Equipment	9	1,035,914	1,017,013	1,002,601
Investments accounted for using the equity method	19	6,789	6,467	5,494
Investment Property	14	1,800	1,750	1,750
Intangible Assets	21	2,952	3,093	3,234
Total Non-Current Assets		1,048,423	1,029,206	1,013,949
TOTAL ASSETS		1,088,723	1,067,941	1,047,738
LIABILITIES				
Current Liabilities				
Payables	10	5,131	6,581	3,791
Borrowings	10	1,340	955	881
Provisions	10	7,883	7,189	6,191
Total Current Liabilities		14,354	14,725	10,863
Non-Current Liabilities				
Borrowings	10	12,290	7,160	5,715
Provisions	10	155	155	155
Total Non-Current Liabilities		12,445	7,315	5,870
TOTAL LIABILITIES		26,799	22,040	16,733
Net Assets		1,061,924	1,045,901	1,031,005
EQUITY				
Retained Earnings	20	1,011,442	995,419	984,874
Revaluation Reserves	20	50,482	50,482	46,131
Total Equity		1,061,924	1,045,901	1,031,005

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

(v) Basis of Accounting

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

- (i) 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.

Pittwater 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)].

For the current year council has chosen not to revalue the community land as the Valuer General's valuation for 2012 does not cover all land parcels. The council will be revaluing all the community land assets in the next financial year (2013/14).

(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.
- (iii) Estimated tip remediation provisions.

Critical judgements in applying the entity's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

Council bases 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 grants or contributions is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

- General Purpose Operations

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but

neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Impairment

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

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

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (Valuation is based on NSW Valuer General's valuation where available; request for remaining valuation has been lodged. For lands with no Valuer General's valuation, external valuation has been used in the interim)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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.

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

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

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

Capitalisation Thresholds

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

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

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

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

Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

- Buildings : Masonry	100 years
- Buildings : Other	25 to 40 years

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	100 years
- Sealed Roads : Structure	100 years
- Bridge : Concrete	200 years
- Bridge : Other	50 years

- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Other Infrastructure Assets

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(m) Intangible Assets

In 2008/09, Pittwater council paid to Warringah Council (as land owner) an amount of \$ 3,515,506 to secure its equitable share and right to participate in Kimbriki Environmental Enterprises Pty Ltd. This payment represented a guarantee of a viable tipping and recycling facility for such residents of Pittwater within close proximity, in such an enduring benefit to the community. In addition to securing a tipping facility for residents the payment secured an equitable share of a financially viable commercial operation. As the payments reflects the rights to participate in an ongoing commercial operation the payment has been amortised over a 25 year period that reflects the term of the current contract operation.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2013.

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(r) 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.

(s) 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.

(t) 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.

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(v) Provisions

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- 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.

(w) 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.

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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 \$913,556.81

The amount of employer contributions to the define benefit plan of the Local Government Superannuation Scheme and recognised as an

expenses for the year ending 30th June 2013 was \$886,447. The last valuation of the scheme was performed by Martin Stevenson BSc, FIA, FIAA on the 20th February 2013 and covers the period ended 30th June 2013. However the position is monitored annually and the actuary has estimated as at 30th June 2013, a deficit still exists. Effective from July 1 2013 employers were required to contribute additional contributions to assist in extinguishing this deficit. The additional contributions included in the total employer contribution advised above are \$411,975.

The share of this deficit that can be broadly attributed to Pittwater Council is estimated to be in the order of \$ 1,915,414 as at 30th Jun 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(x) Self insurance

The Council is a member of the State Wide Mutual Insurance Group, a pool providing public liability insurance to the Council. In accordance with the terms of establishment deed, Council is required to contribute any deficits incurred by fund during those fund years that the Council was a member. Deficits are offset against council's position of surpluses achieved.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) 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)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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)

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 (x) (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.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Pittwater 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	-	-	-	-	-	-	-	-	-	1,059	697	15,152	3,235
Administration	18,039	17,559	18,693	16,041	12,671	19,599	1,998	4,888	(906)	21	23	66,077	60,581
Public Order & Safety	5,154	3,955	1,799	5,536	6,008	6,039	(382)	(2,053)	(4,240)	156	156	2,432	2,777
Health	-	-	-	-	117	266	-	(117)	(266)	-	78	67	51
Environment	15,744	4,445	1,817	5,496	17,293	16,214	10,248	(12,848)	(14,397)	399	-	2,801	-
Community Services & Education	3,291	2,542	2,390	22,695	2,444	2,284	(19,404)	98	106	774	641	-	955
Housing & Community Amenities	-	2,304	2,652	-	4,326	3,633	-	(2,022)	(981)	154	-	34,541	111,267
Water Supplies	-	104	17	-	94	35	-	10	(18)	-	-	-	-
Recreation & Culture	7,813	6,599	7,489	19,464	11,142	11,567	(11,651)	(4,543)	(4,078)	-	361	660,770	700,367
Transport & Communication	16,774	3,228	2,811	-	8,716	8,401	16,774	(5,488)	(5,590)	495	514	280,201	175,559
Economic Affairs	10,786	6,161	3,244	-	6,740	-	10,786	(579)	3,244	55	10	19,893	6,682
Total Functions & Activities	77,601	46,897	40,912	69,232	69,551	68,038	8,369	(22,654)	(27,126)	3,113	2,480	1,081,934	1,061,474
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	681	1,274	-	-	-	-	681	1,274	-	1,131	6,789	6,467
General Purpose Income ¹	-	37,996	36,397	-	-	-	-	37,996	36,397	2,020	2,476	-	-
Operating Result from Continuing Operations	77,601	85,574	78,583	69,232	69,551	68,038	8,369	16,023	10,545	5,133	6,087	1,088,723	1,067,941

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 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.

Pittwater 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		30,812	28,741
Farmland		32	26
Business		3,841	3,586
Total Ordinary Rates		34,685	32,353
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		11,230	10,683
Stormwater Management Services		536	532
Total Annual Charges		11,766	11,215
TOTAL RATES & ANNUAL CHARGES		46,451	43,568

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Pittwater Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Charges		177	171
Development Applications		621	536
Inspection Services		238	241
Section 149 Certificates (EPA Act)		219	239
Section 603 Certificates		88	87
Total Fees & Charges - Statutory/Regulatory		1,343	1,274
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising Fees		147	128
Beach Parking		2,060	1,829
Caravan Park		4,892	4,503
Cemeteries		578	732
Child Care		933	900
Coastal Environmental Centre		157	196
Credit Card Recovery Fee		84	69
Film Permits		245	227
Golf Course		242	142
Lease Rentals		1,938	1,885
Leaseback Fees - Council Vehicles		419	407
Pittwater Rugby Park		144	119
Restoration Charges		888	928
Road Reserves		12	124
Other		700	350
Total Fees & Charges - Other		13,439	12,539
TOTAL USER CHARGES & FEES		14,782	13,813

Pittwater 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)		180	192
- Interest earned on Investments (interest & coupon payment income)		1,642	1,643
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		69	76
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		(24)	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,867</u>	<u>1,911</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		180	192
General Council Cash & Investments		921	874
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		424	233
Other Externally Restricted Assets		152	110
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		190	502
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,867</u>	<u>1,911</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	50	-
Rental Income - Investment Properties	14	142	141
Fines - Parking		2,585	2,403
Fines - Other		32	37
Legal Fees Recovery - Other		115	111
Commissions & Agency Fees		3	2
Insurance Claim Recoveries		206	222
Market Income		70	70
Pre Lodgement (Planning)		37	19
Animal Management		46	20
Other		71	329
<u>TOTAL OTHER REVENUE</u>		<u>3,357</u>	<u>3,354</u>

Pittwater 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 - General Component	1,753	2,223	-	-
Pensioners' Rates Subsidies - General Component	267	253	-	-
Total General Purpose	2,020	2,476	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	123	119	-	-
Community Centres / Services	1,082	908	-	150
Environmental Programs	399	597	659	433
Library	154	152	-	-
Street Lighting	146	142	-	-
Transport (Roads to Recovery)	-	-	265	202
Transport (Other Roads & Bridges Funding)	88	77	142	290
Other	21	54	34	24
Total Specific Purpose	2,013	2,049	1,100	1,099
Total Grants	4,033	4,525	1,100	1,099
Grant Revenue is attributable to:				
- Commonwealth Funding	3,085	3,368	325	202
- State Funding	944	1,188	1,139	1,289
- Other Funding	61	40	-	-
	4,090	4,596	1,464	1,491

Pittwater 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 - Material Public Benefit	-	-	-	82
S 94 - Contributions towards amenities/services	-	-	854	6,265
Other Developer Contributions	-	443	-	-
Total Developer Contributions	-	443	854	6,347
	17			
Other Contributions:				
Restorations	-	4	-	-
Roads & Bridges	-	-	11,060	-
RMS Contributions (Regional Roads, Block Grant)	58	69	364	391
Sports Ground Contributions	81	77	44	-
McCarrs Creek Road Grant	-	-	-	1,423
Storm Water contributions	-	-	86	-
Removal of Whale Carcas	9	-	-	-
Other	8	16	108	179
Total Other Contributions	156	166	11,662	1,993
Total Contributions	156	609	12,516	8,340
TOTAL GRANTS & CONTRIBUTIONS	4,189	5,134	13,616	9,439

(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	13,033	8,819
add: Grants & contributions recognised in the current period but not yet spent:	1,998	4,938
less: Grants & contributions recognised in a previous reporting period now spent:	(3,945)	(724)
Net Increase (Decrease) in Restricted Assets during the Period	(1,947)	4,214
Unexpended and held as Restricted Assets	11,086	13,033
Comprising:		
- Specific Purpose Unexpended Grants	733	258
- Developer Contributions	10,290	12,715
- Other Contributions	63	60
	11,086	13,033

Pittwater 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		21,361	20,041
Travelling		43	52
ELE On-costs		2,866	3,191
Superannuation		2,607	2,558
Workers' Compensation Insurance		720	902
Fringe Benefit Tax (FBT)		174	148
Training Costs (other than Salaries & Wages)		378	406
Other		9	17
Total Employee Costs		28,158	27,315
less: Capitalised Costs		(981)	(1,144)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>27,177</u>	<u>26,171</u>
Number of "Equivalent Full Time" Employees at year end		292	285
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		669	471
Charges relating to Finance Leases		14	16
Total Interest Bearing Liability Costs Expensed		683	487
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>683</u>	<u>487</u>

Pittwater 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		1,315	1,212
Contractor & Consultancy Costs			
- General		5,916	5,878
- Waste		5,154	5,008
- Plant Expenses		1,581	1,613
Auditors Remuneration ⁽¹⁾		61	61
Legal Expenses:			
- Legal Expenses: Planning & Development		411	736
- Legal Expenses: Other		277	712
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		598	615
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		61	100
Other		687	941
Total Materials & Contracts		16,061	16,876
less: Capitalised Costs		(150)	(375)
TOTAL MATERIALS & CONTRACTS		15,911	16,501
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		61	60
Remuneration for audit and other assurance services		61	60
(ii) Other Services			
- Compliance advice on Standards		-	1
Remuneration for other services		-	1
Total Auditor Remuneration		61	61
2. Operating Lease Payments are attributable to:			
Council Strata Levy Photocopiers		598	615
Other		61	100
		659	715

Pittwater Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,321	1,230
Office Equipment		-	-	550	518
Furniture & Fittings		-	-	241	240
Property, Plant & Equipment - Leased		-	-	24	24
Land Improvements (depreciable)		-	-	56	51
Buildings - Non Specialised		-	-	1,005	1,029
Buildings - Specialised		-	-	165	166
Other Structures		-	-	-	22
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	1,905	1,869
- Stormwater Drainage		-	-	1,685	1,679
- Other Infrastructure		-	-	24	-
Other Assets					
- Library Books		-	-	200	206
- Other		-	-	1,086	850
Intangible Assets	21	-	-	141	141
Total Depreciation & Impairment Costs		-	-	8,403	8,025
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>8,403</u>	<u>8,025</u>

Pittwater 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			
Other Expenses for the year include the following:			
Advertising		348	354
Bad & Doubtful Debts		99	9
Bank Charges		197	199
Commissions		419	395
Consultancies		2,159	2,446
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		168	162
- NSW Fire Brigade Levy		1,501	1,534
- Other Contributions/Levies		573	707
Councillor Expenses - Mayoral Fee		36	36
Councillor Expenses - Councillors' Fees		147	147
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		86	63
Electricity & Heating		621	413
Family Day Care Fee Relief		505	402
Insurance		1,037	1,041
Management Fees		1,037	928
Postage		128	105
Printing & Stationery		370	365
Street Lighting		1,081	1,076
Subscriptions & Publications		275	292
Sustenance		151	134
Telephone & Communications		408	432
Valuation Fees		110	103
Waste Disposal		4,871	4,344
Water Rates		370	357
RFS Contribution		417	388
Other		455	422
Total Other Expenses		17,569	16,854
less: Capitalised Costs		(192)	-
TOTAL OTHER EXPENSES		17,377	16,854

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,791	1,190
less: Carrying Amount of P&E Assets Sold / Written Off		<u>(1,160)</u>	<u>(1,100)</u>
Net Gain/(Loss) on Disposal		<u>631</u>	<u>90</u>
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		22,575	21,575
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		<u>(22,575)</u>	<u>(21,575)</u>
Net Gain/(Loss) on Disposal		<u>-</u>	<u>-</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u><u>631</u></u>	<u><u>90</u></u>

Pittwater 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		2,335	-	6,992	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		2,000	-	4,700	-
Total Cash & Cash Equivalents		4,335	-	11,692	-
Investments (Note 6b)					
- Long Term Deposits		31,250	-	21,762	-
- CDO's		-	-	268	-
- Structured Notes Held to Maturity		-	-	500	-
Total Investments		31,250	-	22,530	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		35,585	-	34,222	-

¹ Those Investments are readily convertible to know amounts of cash and subject to insignificant risk of changes in value

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	4,335	-	11,692	-
--	-------	---	--------	---

Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	268	-
b. "Held to Maturity"	6(b-ii)	31,250	-	22,262	-
Investments		31,250	-	22,530	-

Pittwater 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	268	-	1,017	-
Revaluations (through the Income Statement)	69	-	76	-
Disposals (sales & redemptions)	(337)	-	(825)	-
Balance at End of Year	-	-	268	-
Comprising:				
- CDO's	-	-	268	-
Total	-	-	268	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	22,262	-	21,250	-
Additions	31,250	-	21,762	-
Impairment (loss)/prior loss reversal (via P&L)	(24)	-	-	-
Disposals (sales & redemptions)	(22,238)	-	(20,750)	-
Balance at End of Year	31,250	-	22,262	-
Comprising:				
- Long Term Deposits	31,250	-	21,762	-
- Structured Notes	-	-	500	-
Total	31,250	-	22,262	-

Pittwater 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	35,585	-	34,222	-
attributable to:				
External Restrictions (refer below)	13,431	-	14,581	-
Internal Restrictions (refer below)	16,586	-	13,079	-
Unrestricted	5,568	-	6,562	-
	35,585	-	34,222	-

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

Details of Restrictions

External Restrictions - Other				
Developer Contributions - General (A)	12,715	1,278	(3,703)	10,290
RMS (formerly RTA) Contributions (B)	60	568	(565)	63
Specific Purpose Unexpended Grants (C)	258	4,987	(4,512)	733
Domestic Waste Management (D)	1,503	750	(16)	2,237
Stormwater Management (D)	45	543	(480)	108
External Restrictions - Other	14,581	8,126	(9,276)	13,431
Total External Restrictions	14,581	8,126	(9,276)	13,431

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	20	-	(20)	-
Employees Leave Entitlement	1,469	138	-	1,607
Carry Over Works	538	340	(538)	340
Deposits, Retentions & Bonds	438	35	-	473
Caravan Park Capital Works	368	150	(122)	396
Cemetery Reserve	2,073	282	(62)	2,293
Controlled Entities	76	1	(74)	3
Election Reserve	225	-	(225)	-
Environmental Levy (Escarpment)	178	9	(4)	183
Environmental Infrastructure Levy	382	14	(78)	318
General Reserve	2,729	1,470	(1,284)	2,915
Lagoon Entrance Clearing	50	-	(50)	-
Marine Infrastructure	181	55	(201)	35
Outdoor Seating	183	166	(57)	292
Road Reserve	414	18	(143)	289
Strategic Property Rationalisation Reserve	111	-	(30)	81
Tennis Liaison Trust Fund	135	61	(45)	151
Loan CIP June 2011/12	-	1,000	(1,000)	-
Loan Lakeside Caravan Park 2011/12	1,157	1,823	(2,296)	684
RMS Contribution McCarrs Creek Road	1,298	-	(923)	375
Bungan Land Car Park (LIRS Loan)	-	4,064	(148)	3,916
Church Point Car Park	79	291	-	370
Narrabeen Synthetic Sportsfield	-	154	-	154
Special Rates Variation	337	2,886	(2,382)	841
Other	638	546	(314)	870
Total Internal Restrictions	13,079	13,503	(9,996)	16,586
TOTAL RESTRICTIONS	27,660	21,629	(19,272)	30,017

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,416	775	1,453	692
Interest & Extra Charges		252	144	255	129
User Charges & Fees		678	-	817	-
Accrued Revenues					
- Interest on Investments		328	-	283	-
Government Grants & Subsidies		491	44	512	19
Net GST Receivable		485	-	504	-
Fines Outstanding		461	197	427	183
Other Debtors		147	-	306	-
Total		4,258	1,160	4,557	1,023
less: Provision for Impairment					
User Charges & Fees		(135)	(44)	(109)	-
Fines		(346)	(148)	(326)	(140)
Total Provision for Impairment - Receivables		(481)	(192)	(435)	(140)
<u>TOTAL NET RECEIVABLES</u>		<u>3,777</u>	<u>968</u>	<u>4,122</u>	<u>883</u>
Externally Restricted Receivables					
Domestic Waste Management		303	166	308	146
Stormwater Management		15	8	17	8
Total External Restrictions		318	174	325	154
Unrestricted Receivables		3,459	794	3,797	729
TOTAL NET RECEIVABLES		<u>3,777</u>	<u>968</u>	<u>4,122</u>	<u>883</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.

Pittwater 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		58	-	55	-
Trading Stock		1	-	1	-
Total Inventories		59	-	56	-
Other Assets					
Prepayments		879	-	335	-
Total Other Assets		879	-	335	-
TOTAL INVENTORIES / OTHER ASSETS		938	-	391	-

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 Dep'n	Impairment	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
Capital Work in Progress	789	-	-	-	789	83	-	-	(539)	333	-	-	-	333
Plant & Equipment	-	8,186	3,516	-	4,670	2,765	(1,106)	(1,321)	-	-	8,482	3,474	-	5,008
Office Equipment	-	7,025	5,415	-	1,610	675	-	(550)	-	-	7,698	5,965	-	1,733
Furniture & Fittings	-	2,458	1,585	-	873	49	-	(241)	-	-	2,507	1,826	-	681
Plant & Equipment (under Finance Lease)	-	235	71	-	164	9	-	(24)	-	-	244	94	-	150
Land:														
- Operational Land	-	51,293	-	-	51,293	-	-	-	-	-	51,293	-	-	51,293
- Community Land	-	583,741	-	-	583,741	-	-	-	-	-	583,741	-	-	583,741
Land Improvements - depreciable	-	5,227	595	-	4,632	386	-	(56)	(7)	-	5,606	651	-	4,955
Buildings - Non Specialised	-	62,410	18,406	-	44,004	4,259	(54)	(1,005)	352	-	66,933	19,377	-	47,556
Buildings - Specialised	-	36,818	12,513	-	24,305	-	-	(165)	-	-	36,818	12,678	-	24,140
Other Structures	-	2,077	245	-	1,832	58	-	(24)	-	-	2,135	268	-	1,867
Infrastructure:														
- Roads, Bridges, Footpaths	-	244,598	63,699	-	180,899	14,417	-	(1,905)	213	-	259,229	65,605	-	193,624
- Stormwater Drainage	-	136,956	35,620	-	101,336	763	-	(1,685)	-	-	137,719	37,305	-	100,414
Other Assets:														
- Library Books	-	1,552	1,060	-	492	238	-	(200)	-	-	1,790	1,260	-	530
- Other	-	20,393	4,020	-	16,373	4,621	-	(1,086)	(19)	-	24,994	5,105	-	19,889
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	789	1,162,969	146,745	-	1,017,013	28,323	(1,160)	(8,262)	-	333	1,189,189	153,608	-	1,035,914

Asset Renewals & Additions	
Roads	2,253
Drainage	458
Buildings	819
Footpath	354
Total Renewals	3,884
Additions for the year	24,439
TOTAL ADDITIONS AND RENEWALS	28,323

Pittwater Council

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,067	-	4,557	-
Goods & Services - capital expenditure		495	-	730	-
Payments Received In Advance		614	-	503	-
Accrued Expenses:					
- Interest on Bonds & Deposits		153	-	36	-
- Salaries & Wages		160	-	150	-
- Other Expenditure Accruals		169	-	167	-
Security Bonds, Deposits & Retentions		473	-	438	-
Total Payables		5,131	-	6,581	-
Borrowings					
Loans - Secured ¹		1,184	12,290	927	7,004
Finance Lease Liabilities		156	-	28	156
Total Borrowings		1,340	12,290	955	7,160
Provisions					
Employee Benefits;					
Annual Leave		2,167	-	1,961	-
Sick Leave		252	-	278	-
Long Service Leave		5,428	155	4,907	155
Other Leave		36	-	43	-
Total Provisions		7,883	155	7,189	155
Total Payables, Borrowings & Provisions		14,354	12,445	14,725	7,315

¹ Loans are secured over the General Rating Income of Council

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(i) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	5,847	5,204
Payables - Security Bonds, Deposits & Retentions	315	315
	<u>6,162</u>	<u>5,519</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,961	1,907	(1,750)	49	-	2,167
Sick Leave	278	-	(26)	-	-	252
Long Service Leave	5,062	1,128	(553)	(54)	-	5,583
Other Leave	43	(7)	-	-	-	36
TOTAL	7,344	3,028	(2,329)	(5)	-	8,038

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 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	4,335	11,692
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		4,335	11,692
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		16,023	10,545
Adjust for non cash items:			
Depreciation & Amortisation		8,403	8,025
Net Losses/(Gains) on Disposal of Assets		(631)	(90)
Non Cash Capital Grants and Contributions		(11,060)	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		24	-
- Investments classified as "At Fair Value" or "Held for Trading"		(69)	(76)
- Investment Properties		(50)	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		(681)	(1,274)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		162	402
Increase/(Decrease) in Provision for Doubtful Debts		98	9
Decrease/(Increase) in Inventories		(3)	1
Decrease/(Increase) in Other Assets		(544)	(35)
Increase/(Decrease) in Payables		(1,490)	2,676
Increase/(Decrease) in other accrued Expenses Payable		12	149
Increase/(Decrease) in Other Liabilities		263	(14)
Increase/(Decrease) in Employee Leave Entitlements		694	998
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		11,151	21,316
(c) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Total Financing Arrangements		500	500
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
Total Financing Arrangements Utilised		-	-

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

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

Pittwater Council

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

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(a) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		168	42
Later than one year and not later than 5 years		-	168
Total Minimum Lease Payments		168	210
less: Future Finance Charges		(12)	(26)
Amount Recognised as a Liability		156	184
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		156	28
Non-Current Liabilities		-	156
Total Finance Lease Liabilities Disclosed		156	184
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Other Equipment/Assets	5	Y	
			156
Total Carrying Value at Year End			156
			184
(b) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		58	74
Later than one year and not later than 5 years		87	154
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		145	228

Pittwater 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	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>26,551</u>	3.24 : 1	2.59	3.47
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>8,192</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,668</u>	2.39%	2.06%	2.20%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>69,789</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>46,451</u>	54.28%	55.44%	59.16%
Income from Continuing Operations	<u>85,574</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,587</u>	5.26%	5.49%	5.23%
Rates, Annual & Extra Charges Collectible	<u>49,160</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>3,884</u>	81.59%	71.98%	74.85%
Depreciation, Amortisation & Impairment	<u>4,760</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.

Pittwater Council

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

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



Purpose of Unrestricted Current Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio 3.24 : 1

This ratio indicates that Council currently projects to have \$3.24 (excluding externally restricted funds such as S94 and grant monies) available to service every \$1 of debt as it falls due at the end of the financial year. 3.24:1 is considered sound and clearly demonstrates Council's ability to satisfy short term obligations. The increase of this ratio from prior years is mainly associated with an increase in cash held and a reduction in current liabilities (eg.payables)



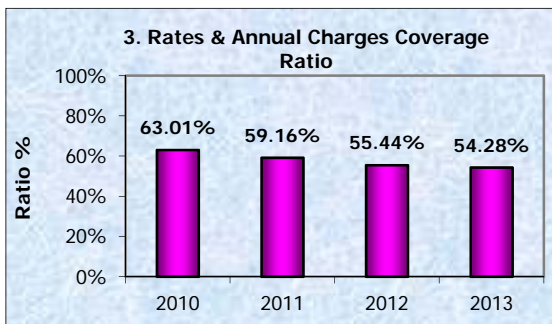
Purpose of Debt Service Ratio

To assess the impact of loan principal & interest repayments on the discretionary revenue of council.

Commentary on 2012/13 Result

2012/13 Ratio 2.39%

This ratio demonstrates the cost of servicing Council's annual debt obligations (loan repayments, both principal and interest) as a portion of available Revenue from Ordinary Activities. At 2.39% this ratio remains low and well below Council's policy target of 5.5%.The increase in the ration refelects additional loan repayments associated with new loans.



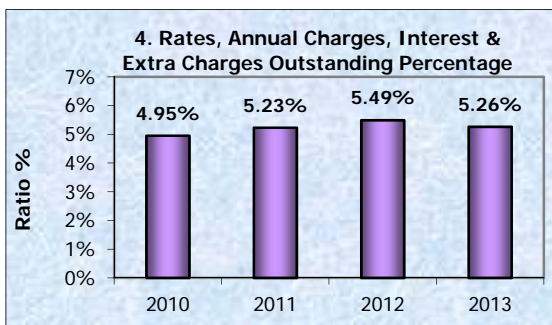
Purpose of Rates & Annual Charges Coverage Ratio

To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.

Commentary on 2012/13 Result

2012/13 Ratio 54.28%

This ratio indicates the dependency of Rates and Annual charges over Council's total Revenue from continuing operations. At 54.28% a balance is achieved between rates and other income streams of Council.The decrease in 2013 is mainly associated with an increase in Capital Grants & Contributions which has increased the ratio's denominator of Income from Continuing Operations.



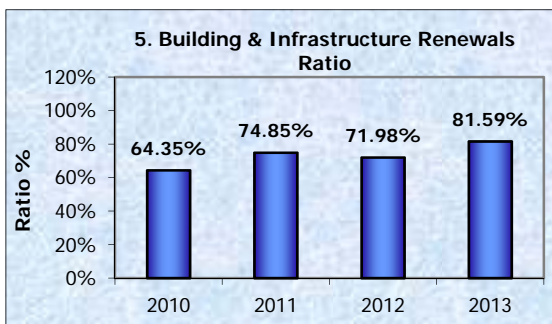
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio 5.26%

This ratio indicates the percentage of Rates and Annual charges outstanding at the end of the financial year. This ratio remains low at 5.26%, and is a slight decrease from last year, reflecting council strategy in long term debt collections resulting in the steady reduction of such debts.



Purpose of Asset Renewals Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio 81.59%

This ratio indicates the rate of renewal and replacement of existing assets as against the depreciation of the same category of assets. Although Council's ratio remains below its benchmark of 100%, additional funds sourced via the Special Rate Variation and Council's future borrowings program will assist in increasing Council's ratio.

Pittwater Council

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

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
Investment Properties on Hand		<u>1,800</u>	<u>1,750</u>
Reconciliation of Annual Movement:			
Opening Balance		1,750	1,750
- Net Gain/(Loss) from Fair Value Adjustments		50	-
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,800</u>	<u>1,750</u>

(b) Valuation Basis

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

The 2013 revaluations are based on an Independent Assessment and Valuation carried out by Scott Fullerton FAPI.

(c) Leasing Arrangements

Details of leased Investment Properties are as follows;
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	142	141
Total Minimum Lease Payments Receivable	<u>142</u>	<u>141</u>

(d) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	142	141
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(28)	(35)
Net Revenue Contribution from Investment Properties	<u>114</u>	<u>106</u>
plus:		
Fair Value Movement for year	50	-
Total Income attributable to Investment Properties	<u>164</u>	<u>106</u>

Pittwater Council

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

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	4,335	11,692	4,335	11,692
Investments				
- "Designated At Fair Value on Initial Recognition"	-	268	-	268
- "Held to Maturity"	31,250	22,262	31,250	22,262
Receivables	4,745	5,005	4,745	5,005
Total Financial Assets	40,330	39,227	40,330	39,227
Financial Liabilities				
Payables	4,517	6,078	4,517	6,078
Loans / Advances	13,474	7,931	13,474	7,931
Lease Liabilities	156	184	156	184
Total Financial Liabilities	18,147	14,193	18,147	14,193

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.

Pittwater 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				
Nil				
Financial Liabilities				
Nil				
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	268	-	268
Total Financial Assets	-	268	-	268
Financial Liabilities				
Nil				

Pittwater 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's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The 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.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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.

2013	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in Interest Rates	313	313	(313)	(313)
2012				
Possible impact of a 10% movement in Market Values	27	27	(27)	(27)
Possible impact of a 1% movement in Interest Rates	268	268	(268)	(268)

Pittwater 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)	35	1,350	37	1,302
Past due by up to 30 days	297	700	-	817
Past due between 31 and 180 days	333	401	99	828
Past due between 181 and 365 days	332	392	1,199	488
Past due by more than 1 year	1,194	384	810	-
	<u>2,191</u>	<u>3,227</u>	<u>2,145</u>	<u>3,435</u>
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			575	566
+ new provisions recognised during the year			98	9
Balance at the end of the year			<u>673</u>	<u>575</u>

Pittwater 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	473	4,284	-	-	-	-	-	4,757	4,517
Loans & Advances	-	1,184	1,049	1,116	1,185	1,264	7,676	13,474	13,474
Lease Liabilities	-	156	-	-	-	-	-	156	156
Total Financial Liabilities	473	5,624	1,049	1,116	1,185	1,264	7,676	18,387	18,147
2012									
Trade/Other Payables	438	5,640	-	-	-	-	-	6,078	6,078
Loans & Advances	-	1,150	1,150	969	969	969	2,724	7,931	7,931
Lease Liabilities	-	42	142	-	-	-	-	184	184
Total Financial Liabilities	438	6,832	1,292	969	969	969	2,724	14,193	14,193

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	4,517	4.9%	6,078	6.5%
Loans & Advances - Fixed Interest Rate	13,474	6.4%	7,931	6.8%
Lease Liabilities	156	6.2%	184	6.2%
	<u>18,147</u>		<u>14,193</u>	

Pittwater 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 18 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	46,519	46,451	(68)	(0%)	U
User Charges & Fees	13,169	14,782	1,613	12%	F
The improvement in user charges & fees is mainly attributed to increases in income in the following areas					
Parking income	\$277,000	Venue Hire	\$126,000		
Caravan Park income	\$123,000	Sports venue Income	\$247,000		
Restoration Income	\$380,000	DA Income	\$43,000		
Cemetery Income	\$181,000	Other User Fees	\$236,000		
Interest & Investment Revenue	1,402	1,867	465	33%	F
The original budget of \$1.402M incorporated CDO losses of (\$200,000) and interest income of \$1.602M.					
The actual result of \$1.867M reflects gains made on the sale/maturity of CDOs of \$46,000, the improvement in interest income of \$381,000 and the increased interest from rates and abandonments of \$38,000.					
Operating Grants & Contributions	3,738	4,189	451	12%	F
The improvement in Operating Grants and Contributions is mainly attributable to an additional payment of the Financial Assistance Grant which was not budget for and an increase in restoration contributions for the year.					
Capital Grants & Contributions	7,120	13,616	6,496	91%	F
The improvement in capital grants and contributions is mainly attributable to;					
(a) Bringing to account the asset value of part of McCarrs Creek Road for \$11.06M that it took ownership from RMS					
(b) Decrease in Section 94 contribution payment of \$5.289M received in 2012/13					
(c) Increase in capital grants and other contributions of \$0.725M					
Net Gains from Disposal of Assets	2,139	631	(1,508)	(71%)	U
The reduction in net gains from disposal of assets is mainly attributable to:					
(a) Council's land sale at Newport did not proceed, accordingly the budgeted gain of \$1.0M was not realised.					
(b) The sale of 3 cabins budgeted for at Sydney Lakeside Tourist Park only resulted in one sold (variance \$703,611)					
(c) The remainder of the positive variance of \$195,000 is attributable to the sale plant and motor vehicle					

Pittwater 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				
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	14,639	11,151	(3,488)	(23.8%) U
The decrease in cash flow from operating activities is attributable to:				
(a) An increase in contract, material, lease and street lighting costs amounting to \$1.04M (outflow)				
(b) A reduction in employment cost of \$1.492M (inflow)				
(c) A reduction in developer contributions of \$5.289m (Outflow)				
(d) And other increases in cash flow due to additional beach parking, caravan park revenue, venue hire and cemetery amounting to \$1.394M (inflow)				
Cash Flows from Investing Activities	(16,070)	(24,023)	(7,953)	49.5% U
The increase from cash flows from investing activities is due to the sale and purchase of investment securities amounting to \$8.720M that are not budgeted. The other variances of \$0.722M is attributable to GST and other income and expenses.				
Cash Flows from Financing Activities	1,568	5,515	3,947	251.7% F
The increase in cash flows from financing activities is due to additional borrowings of \$4.0M associated with Parking at Mona Vale that were not budgeted				

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	
Drainage	1,444	-	-	54	-	-	1,498	17,204	(18,205)	497	-
Roads	683	-	-	25	(78)	-	630	20,733	(21,938)	(575)	-
Parking	3,404	-	-	127	-	-	3,531	-	(3,531)	-	-
Open Space	1,931	404	-	9	(3,049)	-	(705)	13,700	(15,104)	(2,109)	-
Community Facilities	5,624	237	-	216	(421)	-	5,656	11,456	(12,458)	4,654	-
Other	(371)	213	-	(7)	(155)	-	(320)	1,700	(2,290)	(910)	-
S94 Contributions - under a Plan	12,715	854	-	424	(3,703)	-	10,290	64,793	(73,526)	1,557	-
Total S94 Revenue Under Plans	12,715	854	-	424	(3,703)	-	10,290				-
Total Contributions	12,715	854	-	424	(3,703)	-	10,290	64,793	(73,526)	1,557	-

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 NUMBER 1 - MONA VALE CAR PARK

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	3,311	-	-	124	-	-	3,435	-	(3,435)	-	-
Total	3,311	-	-	124	-	-	3,435	-	(3,435)	-	-

CONTRIBUTION PLAN NUMBER 2 - OPEN SPACE, BUSHLAND AND RECREATION

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	454	404	-	24	(274)	-	608	-	(608)	-	-
Total	454	404	-	24	(274)	-	608	-	(608)	-	-

CONTRIBUTION PLAN NUMBER 3 - PUBLIC LIBRARY SERVICES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	282	87	-	13	(155)	-	227	-	(227)	-	-
Total	282	87	-	13	(155)	-	227	-	(227)	-	-

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

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,444	-	-	54	-	-	1,498	17,204	(18,205)	497	-
Roads	683	-	-	25	(78)	-	630	20,733	(21,938)	(575)	-
Open Space	1,477	-	-	(15)	(2,775)	-	(1,313)	13,700	(14,496)	(2,109)	-
Community Facilities	5,170	-	-	193	(42)	-	5,321	11,456	(12,123)	4,654	-
Other	(782)	-	-	(29)	-	-	(811)	1,700	(1,799)	(910)	-
Total	7,992	-	-	228	(2,895)	-	5,325	64,793	(68,561)	1,557	-

CONTRIBUTION PLAN NUMBER 14 - NEWPORT CAR PARK

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	93	-	-	3	-	-	96	-	(96)	-	-
Total	93	-	-	3	-	-	96	-	(96)	-	-

CONTRIBUTION PLAN NUMBER 18 - COMMUNITY SERVICE FACILITIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	172	150	-	10	(224)	-	108	-	(108)	-	-
Total	172	150	-	10	(224)	-	108	-	(108)	-	-

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 NUMBER 19 - VILLAGE STREETScape

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	411	213	-	22	(155)	-	491	-	(491)	-	-
Total	411	213	-	22	(155)	-	491	-	(491)	-	-

Pittwater 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 in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

Currawong

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

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

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

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

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

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

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

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

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

Accordingly, council has decided not to enter a value of land and building associated with Currawong into its 2012/13 Financial Statements due to arrangements still not being formalised but will note the above as a Contingent Asset. When responsibilities and values are finalised council will then account for these matters as per appropriate Accounting Standards. All income derived from Currawong Cottage has been treated as internally restricted funds.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 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	794	899	5,675	5,241
Joint Venture Entities	(113)	375	1,114	1,226
Total	681	1,274	6,789	6,467

Pittwater 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) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2013	2012
Kimbriki Environmental Services P/L	Recycling	5,675	5,241
Total Carrying Amounts - Associated Entities		5,675	5,241

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Kimbriki Environmental Services P/L	34%	34%	34%	34%	34%	34%

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

	Kimbriki Environmental Services P/L	
	2013	2012
Opening Balance	5,241	4,643
Share in Operating Result	793	900
Distributions Received	(359)	(302)
Council's Equity Share in the Associated Entity	5,675	5,241

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

2013	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	7,083	1,408	5,675	8,362	794
Totals	7,083	1,408	5,675	8,362	794
2012	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	6,321	1,080	5,241	7,737	899
Totals	6,321	1,080	5,241	7,737	899

Pittwater 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) Associated Entities & Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Warringah/Pittwater Bushfire Committee	Regional Bushfire Prevention	1,114	1,226
Total Carrying Amounts - Joint Venture Entities		1,114	1,226

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Warringah/Pittwater Bushfire Committee	50%	50%	50%	50%	50%	50%

(c) Movement in Carrying Amounts

	Warringah/Pittwater Bushfire Committee	
	2013	2012
Opening Balance	1,226	851
Share in Operating Result	(113)	375
New Capital Contributions	417	388
Adjustments to Equity	(417)	(388)
Council's Equity Share in the Joint Venture Entity	1,114	1,226

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Warringah/Pittwater Bushfire Committee	1,027	87	-	-	1,114
Totals	1,027	87	-	-	1,114
2012					
Warringah/Pittwater Bushfire Committee	1,092	134	-	-	1,226
Totals	1,092	134	-	-	1,226

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

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Warringah/Pittwater Bushfire Committee	563	675	(113)	1,058	683	375
Totals	563	675	(113)	1,058	683	375

Pittwater Council

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	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)		995,419	1,263,297
a. Changes in Accounting Policies (prior period effects)	20 (d)	-	(278,423)
b. Net Operating Result for the Year		16,023	10,545
Balance at End of the Reporting Period		<u>1,011,442</u>	<u>995,419</u>
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		50,482	50,482
Total		<u>50,482</u>	<u>50,482</u>
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		50,482	46,131
- Revaluations for the year	9(a)	-	4,351
- Balance at End of Year		<u>50,482</u>	<u>50,482</u>
TOTAL VALUE OF RESERVES		<u>50,482</u>	<u>50,482</u>
(ii) 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.			
(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			
Community Land amendments associated with change in Accounting Policy			(278,423)
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/12		-	(278,423)
(relating to adjustments for the 30/6/12 reporting year end and prior periods)			
Total Prior Period Adjustments - Accounting Policy Changes		<u>-</u>	<u>(278,423)</u>

Pittwater Council

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

Note 21. 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)	3,515	3,515
Accumulated Amortisation (1/7/12)	(422)	(281)
Net Book Value - Opening Balance	3,093	3,234
Movements for the year		
- Amortisation charges	(141)	(141)
Closing Values:		
Gross Book Value (30/6/13)	3,515	3,515
Accumulated Amortisation (30/6/13)	(563)	(422)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>2,952</u>	<u>3,093</u>

¹ The Net Book Value of Intangible Assets represent:

- Right to participate in Kimbriki Environmental Enterprises P/L	2,952	3,093
	<u>2,952</u>	<u>3,093</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 22. Financial Review

\$ '000

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

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	46,451	43,568	41,399	39,691	38,051
User Charges Revenue	14,782	13,813	12,860	12,267	10,798
Interest & Investment Revenue (Losses)	1,867	1,911	1,683	1,501	689
Grants Income - Operating & Capital	5,133	5,624	4,906	4,094	4,835
Total Income from Continuing Operations	85,574	78,583	69,980	62,988	60,192
Sale Proceeds from I,PP&E	1,791	1,190	1,094	1,392	1,801
New Loan Borrowings & Advances	6,500	2,400	-	-	5,515
Outflows:					
Employee Benefits & On-cost Expenses	27,177	26,171	24,879	23,045	22,489
Borrowing Costs	683	487	544	604	229
Materials & Contracts Expenses	15,911	16,501	15,331	13,848	13,981
Total Expenses from Continuing Operations	69,551	68,038	63,814	59,030	57,215
Total Cash purchases of I,PP&E	17,498	14,441	9,230	8,706	17,130
Total Loan Repayments (incl. Finance Leases)	985	881	825	1,002	763
Operating Surplus/(Deficit) (excl. Capital Income)	2,407	1,106	669	2,128	62
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	40,300	38,735	33,789	38,846	29,127
Current Liabilities	14,354	14,725	10,863	10,094	9,495
Net Current Assets	25,946	24,010	22,926	18,752	19,632
Available Working Capital (Unrestricted Net Current Assets)	4,834	4,169	7,618	7,379	10,842
Cash & Investments - Unrestricted	5,568	6,562	2,151	1,811	3,965
Cash & Investments - Internal Restrictions	16,586	13,079	12,426	11,575	8,600
Cash & Investments - Total	35,585	34,222	24,461	19,771	20,588
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	13,630	8,115	6,596	7,421	9,627
Total Value of I,PP&E (excl. Land & Earthworks)	554,488	528,724	513,635	507,546	560,142
Total Accumulated Depreciation	153,608	146,745	139,133	133,810	181,180
Indicative Remaining Useful Life (as a % of GBV)	72%	72%	73%	74%	68%

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

Pittwater Council

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

Note 23. Council Information & Contact Details

Principal Place of Business:

Unit 13, 5 Vuko Place
Warriewood NSW 2102

Contact Details

Mailing Address:

PO Box 882
Mona Vale NSW 1660

Telephone: 02 9970 1111

Facsimile: 02 9970 7150

Internet: www.pittwater.nsw.gov.au

Email: pittwater_council@pittwater.nsw.gov.au

Officers

GENERAL MANAGER

Mark Ferguson

RESPONSIBLE ACCOUNTING OFFICER

Mark Jones

PUBLIC OFFICER

Warwick Lawrence

AUDITORS

Hill Rogers Spencer Steer
Level 5, 1 Chiffley Square,
Sydney NSW 2000

Elected Members

MAYOR

Cr Jacqueline Townsend

COUNCILLORS

Cr Ian White

Cr Bob Grace

Cr Kay Millar

Cr Kylie Ferguson

Cr Sue Young

Cr Selena Griffith

Cr Julie Hegarty

Cr Alex McTaggart

Other Information

ABN: 61 340 837 871

PITTWATER COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Pittwater Council**, which comprises the Statement of Financial Position as at 30 June 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 projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

Assurance Partners

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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 20th day of August 2013

20 August 2013

The Mayor
Pittwater Council
5 Yuko Place
WARRIEWOOD NSW 2102

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

1.1 Operating Result

The operating result for the year was a surplus of \$16.023 million as compared with \$10.545 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	% of	2012	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
Revenues before capital items					
Rates & annual charges	46,451	65%	43,568	63%	2,883
User charges, fees & other revenues	19,451	27%	18,531	27%	920
Grants & contributions provided for operating purposes	4,189	6%	5,134	7%	(945)
Interest & investment revenue	1,867	3%	1,911	3%	(44)
	71,958	100%	69,144	100%	2,814
Expenses					
Employee benefits & costs	27,177	39%	26,171	38%	1,006
Materials, contracts & other expenses	33,288	48%	33,355	49%	(67)
Depreciation, amortisation & impairment	8,403	12%	8,025	12%	378
Borrowing costs	683	1%	487	1%	196
	69,551	100%	68,038	100%	1,513
Surplus/(Deficit) before capital items	2,407		1,106		1,301
Grants & contributions provided for capital purposes	13,616		9,439		4,177
Net Surplus/(Deficit) for the year	16,023		10,545		5,478

The table above shows an overall increase over the previous year of \$5.478 million and is largely attributable to the non-cash capital contribution of \$11.06 million resulting from the reclassification of part MR174 - McCarrs Creek and Pittwater Roads.

Levies of rates and domestic waste management charges increased by \$2.883 million and accounted for 65% of Council's operating revenue before capital receipts.

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.

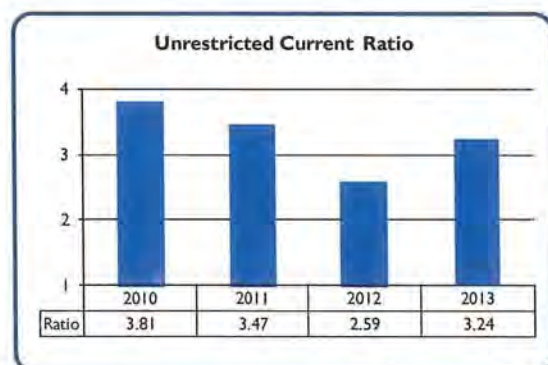
	2013 \$'000	2012 \$'000
Funds were provided by:-		
Operating Result (as above)	16,023	10,545
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,403	8,025
- Book value of non current assets sold	1,160	1,100
- (Gain)/Loss of fair value to investment properties	(50)	0
- (Surplus)/Deficit in joint ventures	(681)	(1,274)
	24,855	18,396
New loan borrowings	6,500	2,400
Transfers from externally restricted assets (net)	1,157	0
Distributions from joint ventures	359	302
Net Changes in current/non current assets & liabilities	644	894
	33,515	21,992
Funds were applied to:-		
Purchase and construction of assets	(28,323)	(19,045)
Principal repaid on loans	(957)	(855)
Finance lease instalments	(28)	(26)
Transfers to externally restricted assets (net)	0	(4,952)
Transfers to internal reserves (net)	(3,507)	(654)
	(32,815)	(25,532)
Increase/(Decrease) in Available Working Capital	700	(3,540)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$18.359 million representing a factor of 3.24 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$5.307 million as detailed below;

	2013 \$'000	2012 \$'000	Change \$'000
Net Current Assets (Working Capital) as per Accounts	25,946	24,010	1,936
Add: Payables & provisions not expected to be realised in the next 12 months included above	6,162	5,519	643
Adjusted Net Current Assets	32,108	29,529	2,579
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,340	955	385
- Employees leave entitlements	2,036	1,985	51
- Deposits & retention moneys	158	123	35
Less: Externally restricted assets	(13,749)	(14,906)	1,157
Less: Internally restricted assets	(16,586)	(13,079)	(3,507)
Available Working Capital as at 30 June	5,307	4,607	700

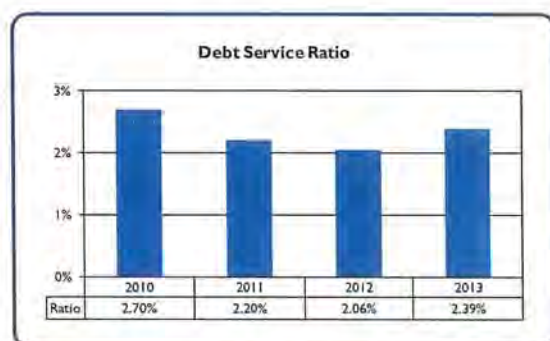
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2013 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 2.39%.

Principal and interest paid was \$1.668 million leaving total debt as at 30 June 2013 at \$13.630 million (2012 - \$8.115 million) after new loans of \$6.5 million were raised during the year.



2.4 Summary

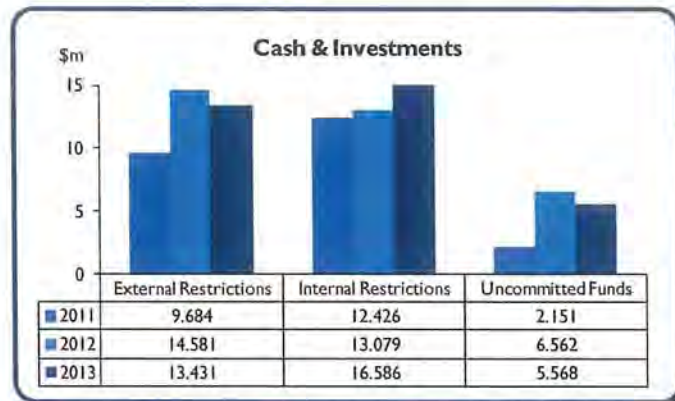
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$35.585 million as compared with \$34.222 million and \$24.261 million at the close of financial years 2012 and 2011 respectively.

The chart 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 (\$10.290 million), domestic waste management charges (\$2.237 million), stormwater management charges (\$108,000) and specific purpose grants and contributions (\$796,000).

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 \$16.586 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$5.568 million.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that funds decreased by \$7.357 million to \$4.335 million at the close of the year.

In addition to operating activities which contributed net cash of \$11.151 million were the sale of assets (\$1.791 million), distributions received from joint ventures (\$359,000), proceeds from borrowings (\$6.5 million) and sale of investments (\$22.575 million). Cash outflows other than operating activities were used to repay principal on loans and finance leases (\$985,000), purchase investments (\$31.250 million) and to purchase and construct assets (\$17.498 million).

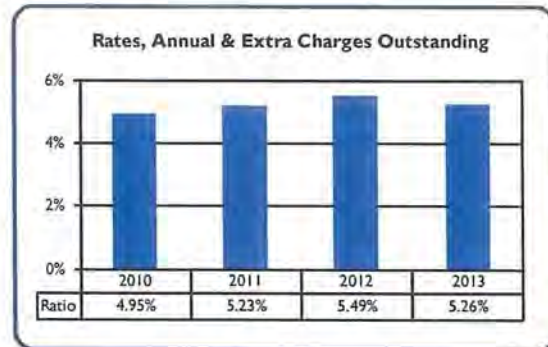
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$46.451 million. Including arrears, the total rates and annual charges collectible was \$48.596 million of which \$46.405 million (95.49%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.587 million at the end of the year & represented 5.26% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$2.831 million and included amounts due from other levels of government of \$1.020 million, user charges and fees amounting to \$678,000 and parking fines of \$658,000. Those considered to be uncertain of collection have been provided for as doubtful debts, amounting to \$673,000, of which \$494,000 related to unpaid parking fines.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$8.038 million. A cash reserve of \$1.607 million was held at year end representing 20% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated terminations.

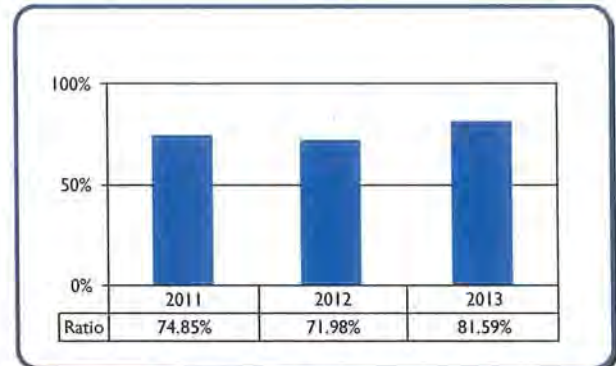
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$473,000 and were fully funded by internally restricted cash and investments.

6. BUILDINGS AND INFRASTRUCTURE RENEWALS

The Buildings 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 81.59% of the depreciation charges for these assets and compares with the industry benchmark of 100%, measured annually over the long term.



7. MANAGEMENT LETTER

A letter was issued to management during the year in respect of our examination of certain aspects of Council's accounting systems and internal controls necessary to produce reliable financial reports that we considered warrant attention. A response was received from management.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER

GARY MOTTAU
Partner

Pittwater Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013



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

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Other Business Activities	3
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
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Background

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

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

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

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 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 19 August 2013.



Cr Jacqueline Townsend
MAYOR



Councillor
COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Sydney Lakeside
Caravan Park

Category 1

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	4,586	4,140
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	4,586	4,140
Expenses from continuing operations		
Employee benefits and on-costs	26	30
Borrowing costs	250	-
Materials and contracts	1,232	1,122
Depreciation and impairment	199	270
Loss on sale of assets	-	-
Calculated taxation equivalents	110	96
Debt guarantee fee (if applicable)	-	-
Other expenses	802	749
Total expenses from continuing operations	2,619	2,267
Surplus (deficit) from Continuing Operations before capital amounts	1,967	1,873
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,967	1,873
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,967	1,873
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(590)	(562)
SURPLUS (DEFICIT) AFTER TAX	1,377	1,311
plus Opening Retained Profits	39,567	39,964
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments - Assets Disposed	-	(170)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	110	96
- Debt guarantee fees	-	-
- Corporate taxation equivalent	590	562
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(3,200)	(2,196)
Closing Retained Profits	38,444	39,567
Return on Capital %	36.4%	44.2%
Subsidy from Council	-	-

Pittwater Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Sydney Lakeside Caravan
Park

Category 1

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	150	150
Investments	-	-
Receivables	39	18
Inventories	1	1
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	190	169
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	6,092	4,241
Land	35,466	35,466
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	41,558	39,707
TOTAL ASSETS	41,748	39,876
LIABILITIES		
Current Liabilities		
Payables	404	309
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	404	309
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	2,900	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	2,900	-
TOTAL LIABILITIES	3,304	309
NET ASSETS	38,444	39,567
EQUITY		
Retained earnings	38,444	39,567
Revaluation reserves	-	-
Council equity interest	38,444	39,567
Non-controlling equity interest	-	-
TOTAL EQUITY	38,444	39,567

Pittwater 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	6

Pittwater 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)

Sydney Lakeside Caravan Park

Permanent & Short Stay Caravan Park Accommodation.

Category 2

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

Nil

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

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

Pittwater Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$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. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

Pittwater Council

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

Note 1. Significant Accounting Policies

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.

PITTWATER COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Pittwater Council**, which comprises the Statement of Financial Position as at 30 June 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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Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 20th day of August 2013

Pittwater Council

SPECIAL SCHEDULES
for the year ended 30 June 2013



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

Pittwater Council

Special Schedules

for the financial year ended 30 June 2013

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Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 7	Condition of Public Works	5
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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.

Pittwater 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	927	7,004	7,931	6,500	957	-	-	669	1,184	12,290	13,474
Other	-	-	-							-	-
Total Loans	927	7,004	7,931	6,500	957	-	-	669	1,184	12,290	13,474
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	28	156	184	-	28	-	-	14	156	-	156
Deferred Payments	-	-	-							-	-
Total Long Term Debt	28	156	184	-	28	-	-	14	156	-	156
Total Debt	955	7,160	8,115	6,500	985	-	-	683	1,340	12,290	13,630

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

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

Pittwater Council

Special Schedule No. 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	85,574	76,113	85,287	90,774	99,830	100,294	96,837	94,882	96,904	103,256	99,464
Expenses from continuing operations	69,551	72,729	75,593	77,591	79,882	82,206	84,560	86,982	89,485	92,053	94,625
Operating Result from Continuing Operations	16,023	3,384	9,694	13,183	19,948	18,088	12,277	7,900	7,419	11,203	4,839
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	5,898	15,726	7,082	3,258	12,020	11,095	11,019	8,550	9,355	6,936	-
Replacement/Refurbishment of Existing Assets	11,323	10,815	11,775	10,926	10,967	11,776	12,856	11,329	12,528	10,951	12,891
Total Capital Budget	17,221	26,541	18,857	14,184	22,987	22,871	23,875	19,879	21,883	17,887	12,891
Funded by:											
– Loans	3,807	6,900	2,260	1,000	1,000	1,000	1,000	1,000	1,000	-	-
– Asset sales	1,782	2,074	6,506	1,574	1,591	1,591	1,591	1,591	1,591	1,591	1,591
– Grants/Contributions	5,507	8,854	3,522	4,953	14,020	13,095	13,019	10,550	11,355	8,936	2,000
– Recurrent revenue	6,125	8,713	6,569	6,657	6,376	7,185	8,265	6,738	7,937	7,360	9,300
	17,221	26,541	18,857	14,184	22,987	22,871	23,875	19,879	21,883	17,887	12,891

Notes:

- (1) From 12/13 Income Statement.
- (2) New Capital Works are major non-recurrent projects
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

