

# Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2010

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*"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 2010

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### Overview

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

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

Council's Statutory Charter is specified in Section 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government 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 19/08/10.  
Council has the power to amend and reissue the financial statements.

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# Pittwater Council

## General Purpose Financial Report

for the financial year ended 30 June 2010

## 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 Report has been prepared in accordance with:

- The Local Government Act 1993 (as amended) and the Regulations made there under,
- 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, this Report:

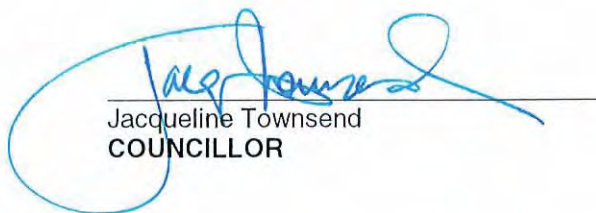
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

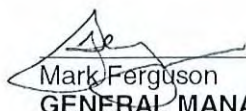
Signed in accordance with a resolution of Council made on 16<sup>th</sup> August 2010.



Harvey Rose  
MAYOR



Jacqueline Townsend  
COUNCILLOR



Mark Ferguson  
GENERAL MANAGER



Mark Jones  
RESPONSIBLE ACCOUNTING OFFICER

## Pittwater Council

## Income Statement

for the financial year ended 30 June 2010

Budget <sup>(1)</sup>			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
Revenue:				
39,867	Rates & Annual Charges	3a	39,691	38,051
11,154	User Charges & Fees	3b	11,874	10,798
89	Interest & Investment Revenue	3c	1,501	689
2,824	Other Revenues	3d	3,477	2,794
3,382	Grants & Contributions provided for Operating Purposes	3e,f	3,808	4,775
1,770	Grants & Contributions provided for Capital Purposes	3e,f	1,830	2,915
Other Income:				
-	Net gains from the disposal of assets	5	210	170
	Net Share of interests in Joint Ventures & Associated			
305	Entities using the equity method	19	597	-
59,391	Total Income from Continuing Operations		62,988	60,192
Expenses from Continuing Operations				
24,221	Employee Benefits & On-Costs	4a	23,045	22,489
586	Borrowing Costs	4b	604	229
12,221	Materials & Contracts	4c	13,850	13,981
7,665	Depreciation & Amortisation	4d	7,861	7,390
-	Impairment	4d	-	-
12,671	Other Expenses	4e	13,670	12,988
50	Net Losses from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	-	138
57,414	Total Expenses from Continuing Operations		59,030	57,215
1,977	Operating Result from Continuing Operations		3,958	2,977
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,977	Net Operating Result for the Year		3,958	2,977
1,977	Net Operating Result attributable to Council		3,958	2,977
-	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
207			2,128	62

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

## Pittwater Council

### Statement of Comprehensive Income for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		3,958	2,977
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	423	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
<b>Total Other Comprehensive Income for the year</b>		<b>423</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>4,381</b>	<b>2,977</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>4,381</b>	<b>2,977</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

# Pittwater Council

## Balance Sheet

as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	3,260	8,778
Investments	6b	16,511	11,810
Receivables	7	3,461	2,884
Inventories	8	59	67
Other	8	958	4,490
Non-current assets classified as "held for sale"	22	4,597	3,419
<b>Total Current Assets</b>		<b>28,846</b>	<b>31,448</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	733	709
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,975,848	1,981,797
Investments accounted for using the equity method	19	5,173	4,024
Investment Property	14	1,720	1,600
Intangible Assets	25	3,374	-
<b>Total Non-Current Assets</b>		<b>1,986,848</b>	<b>1,988,130</b>
<b>TOTAL ASSETS</b>		<b>2,015,694</b>	<b>2,019,578</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	3,268	3,986
Borrowings	10	828	2,207
Provisions	10	5,998	5,902
<b>Total Current Liabilities</b>		<b>10,094</b>	<b>12,095</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	6,593	7,420
Provisions	10	155	155
<b>Total Non-Current Liabilities</b>		<b>6,748</b>	<b>7,575</b>
<b>TOTAL LIABILITIES</b>		<b>16,842</b>	<b>19,670</b>
<b>Net Assets</b>		<b>1,998,852</b>	<b>1,999,908</b>
<b>EQUITY</b>			
Retained Earnings	20	1,952,721	1,954,200
Revaluation Reserves	20	46,131	45,708
Council Equity Interest		1,998,852	1,999,908
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>1,998,852</b>	<b>1,999,908</b>

## Pittwater Council

Statement of Changes in Equity  
for the financial year ended 30 June 2010

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2010</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,954,200	45,708	<b>1,999,908</b>	-	<b>1,999,908</b>
a. Correction of Prior Period Errors	20 (c)	53,324	-	<b>53,324</b>	-	<b>53,324</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	(58,761)	-	<b>(58,761)</b>	-	<b>(58,761)</b>
<b>Revised Opening Balance</b> (as at 1/7/09)		<b>1,948,763</b>	<b>45,708</b>	<b>1,994,471</b>	-	<b>1,994,471</b>
<b>c. Net Operating Result for the Year</b>		<b>3,958</b>	-	<b>3,958</b>	-	<b>3,958</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Reserve	20b (ii)	-	423	<b>423</b>	-	<b>423</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>423</b>	<b>423</b>	-	<b>423</b>
<b>Total Comprehensive Income</b> (c&d)		<b>3,958</b>	<b>423</b>	<b>4,381</b>	-	<b>4,381</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,952,721</b>	<b>46,131</b>	<b>1,998,852</b>	-	<b>1,998,852</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2009</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,951,223	45,708	<b>1,996,931</b>	-	<b>1,996,931</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/08)		<b>1,951,223</b>	<b>45,708</b>	<b>1,996,931</b>	-	<b>1,996,931</b>
<b>c. Net Operating Result for the Year</b>		<b>2,977</b>	-	<b>2,977</b>	-	<b>2,977</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	-	-	-	-
<b>Total Comprehensive Income</b> (c&d)		<b>2,977</b>	-	<b>2,977</b>	-	<b>2,977</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,954,200</b>	<b>45,708</b>	<b>1,999,908</b>	-	<b>1,999,908</b>

## Pittwater Council

## Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
<b>Cash Flows from Operating Activities</b>				
<u>Receipts:</u>				
39,777	Rates & Annual Charges		39,499	37,967
11,154	User Charges & Fees		12,550	10,929
89	Investment & Interest Revenue Received		855	1,747
5,153	Grants & Contributions		5,515	8,286
2,824	Other		5,992	7,019
<u>Payments:</u>				
(24,615)	Employee Benefits & On-Costs		(23,038)	(22,374)
(12,356)	Materials & Contracts		(17,336)	(14,264)
(586)	Borrowing Costs		(619)	(207)
(12,380)	Other		(14,632)	(18,476)
<u>9,060</u>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<u>8,786</u>	<u>10,627</u>
<b>Cash Flows from Investing Activities</b>				
<u>Receipts:</u>				
-	Sale of Investment Securities		9,268	11,000
1,263	Sale of Infrastructure, Property, Plant & Equipment		1,392	1,801
<u>Payments:</u>				
-	Purchase of Investment Securities		(13,500)	(9,000)
(7,443)	Purchase of Infrastructure, Property, Plant & Equipment		(8,706)	(17,130)
-	Contributions Paid to Joint Ventures & Associates		(552)	(403)
<u>(6,180)</u>	<b>Net Cash provided (or used in) Investing Activities</b>		<u>(12,098)</u>	<u>(13,732)</u>
<b>Cash Flows from Financing Activities</b>				
<u>Receipts:</u>				
(760)	Proceeds from Borrowings & Advances		-	5,515
<u>Payments:</u>				
-	Repayment of Borrowings & Advances		(981)	(760)
-	Repayment of Finance Lease Liabilities		(21)	(3)
<u>(760)</u>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<u>(1,002)</u>	<u>4,752</u>
<u>2,120</u>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<u>(4,314)</u>	<u>1,647</u>
14,033	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	7,574	5,927
<u>16,153</u>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<u>3,260</u>	<u>7,574</u>
plus: <b>Investments on hand - end of year</b>				
		6b	16,511	11,810
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>19,771</u>	<u>19,384</u>

Please refer to Note 11 for additional cash flow information



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

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n/a - not applicable

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards, 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,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) 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.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

Under the Local Government Act, 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 Australian Accounting Standards.

###### (iii) 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.

###### (iv) Changes in Accounting Policies

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

There has been a change in the accounting policy due to the change in the methodology of revaluation of infrastructure assets (drainage & Transportation assets) when compared with previous financial statements. If the roads network had been valued in accordance with the methodology used in 1996 the replacement cost would be \$331 million. If the drainage network had been valued in accordance with the methodology used in 1997 the replacement cost would be \$302 million. If the kerb & gutter had been valued in accordance with the methodology used in 1996 the replacement cost would be \$ 80 million

###### (v) Critical Accounting Estimates

The preparation of these financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

##### (vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

##### (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.

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

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

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

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

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

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

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### 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 30/6/10) and **(ii)** all the related operating results (for the financial year ended the 30th June 2010).

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

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

##### (i) The Consolidated Fund

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

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

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

The contribution of both Centre Committee's represent

	09/10 Results	Fund Held
Community Centre (Elanora heights)	Loss \$ 4,155	\$ 5,068

##### (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 Venture Entities

###### 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.

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Jointly Controlled Entities

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

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

##### (iv) Associated Entities

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

Such entities are usually termed Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

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

##### (d) Leases

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

##### Finance Leases

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

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

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

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

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

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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.



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **(f) Investments and Other Financial Assets**

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

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

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

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

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

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

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

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

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

##### **(ii) Loans and receivables**

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

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

They are included in current assets, except for those with maturities greater than 12 months after the

balance sheet date which are classified as non-current assets.

##### **(iii) Held-to-maturity investments**

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

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

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

##### **(iv) Available-for-sale financial assets**

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

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

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

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.

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

##### (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 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 Investment Order arising from the Cole Inquiry recommendations. Certain investments the 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.

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

#### (h) Receivables

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

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not

be able to collect all amounts due according to the original terms of each receivable.

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

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

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

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

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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.



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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 being progressively revalued to fair value in accordance with a staged implementation as advised 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)

The only remaining asset class that is to be revalued in a future reporting period is;

- **2010/11:** Community land, land improvements, potentially land under roads, structures and other assets

Until the designated future reporting periods, the above remaining asset class is stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

##### Initial Recognition

On initial recognition, an asset's 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 carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

If any such indication exists, Council determines the asset's fair value and revalue 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	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
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##### Building

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

Other Structures	> \$2,000
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##### 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

#### 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 t 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 : Prefabricated	25 to 40 years

##### Stormwater Drainage

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

##### Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Disposal and De-recognition

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

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

##### (k) Land

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

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

##### (l) Land under roads

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

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

##### (m) Intangible Assets

###### IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

##### (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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **(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 three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/2010

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

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration

expenditure is incurred at the end of the life of the operations.

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

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

This amortisation of the disclosed as a borrowing cost in Note 4(b).

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

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

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

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

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

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

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

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

A Discontinued Operation is a component of 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.

#### **(s) Impairment of assets**

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

#### **(t) Payables**

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

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



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

##### (v) Borrowing costs

Borrowing costs 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

##### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

settlement is determined by considering the class of obligations as a whole.

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

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

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

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

##### (x) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be 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 (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits in respect of

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

services provided by employees up to the reporting date.

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined Benefit Plans

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

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

experience of employee departures and periods of service.

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

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

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

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$ 286 million as at 30 June 2010

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency was \$ 1,968,474 as provided by LGSS on 16 August 2010.

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.

#### Define Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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 30/6/10.

##### (y) Self insurance

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

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

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

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

##### Exceptions

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

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

##### (aa) Taxes

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

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

##### Goods & Services Tax (GST)

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

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

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 2010.

**Council has not adopted any of these standards early.**



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

The standard is not applicable until 1 January 2013 but is available for early adoption.

Council is yet to assess its full impact.

However, initial indications are that it may affect 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.

##### **Applicable to Local Government but no implications for Council;**

##### ***AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)***

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

##### ***AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)***

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

##### ***AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)***

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

##### ***AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)***

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Summary of Significant Accounting Policies (continued)

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issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

**Not applicable to Local Government per se;**

***Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)***

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.

#### **(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.

# Notes to the Financial Statements

for the financial year ended 30 June 2010

## 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		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2010	2010	2009	2010	2010	2009	2010	2010	2009	2010	2009	2010	2009
Governance	-	12	-	376	-	796	(376)	12	(796)	113	(482)	53,937	(150)
Administration	786	2,836	2,005	20,185	17,117	15,751	(19,399)	(14,281)	(13,746)	23	-	50,988	54,065
Public Order & Safety	2,175	2,110	1,875	4,961	4,653	4,245	(2,786)	(2,543)	(2,370)	156	174	2,639	1,956
Health	28	-	118	231	-	396	(203)	-	(278)	78	82	50	52
Environment	-	7,951	-	-	9,361	-	-	(1,410)	-	-	-	-	-
Community Services & Education	1,516	1,671	1,563	2,296	2,640	2,618	(780)	(969)	(1,055)	641	587	955	975
Housing & Community Amenities	11,755	2,884	11,627	15,269	8,461	17,030	(3,514)	(5,576)	(5,403)	350	793	113,156	130,052
Water Supplies	25	37	5	35	64	22	(10)	(27)	(17)	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	2,229	2,498	2,176	6,443	8,370	8,208	(4,214)	(5,872)	(6,032)	361	218	1,606,144	1,620,599
Transport & Communication	1,211	1,854	1,927	3,400	5,025	4,563	(2,189)	(3,171)	(2,636)	514	693	175,970	201,280
Economic Affairs	6,435	7,211	7,565	4,218	3,341	3,448	2,217	3,871	4,117	10	705	6,682	6,725
<b>Total Functions &amp; Activities</b>	<b>26,160</b>	<b>29,064</b>	<b>28,861</b>	<b>57,414</b>	<b>59,030</b>	<b>57,077</b>	<b>(31,254)</b>	<b>(29,966)</b>	<b>(28,216)</b>	<b>2,246</b>	<b>2,770</b>	<b>2,010,521</b>	<b>2,015,554</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	305	597	-	-	-	138	305	597	(138)	-	-	5,173	4,024
General Purpose Income <sup>1</sup>	32,926	33,327	31,331	-	-	-	32,926	33,327	31,331	1,848	2,065	-	-
<b>Operating Result from Continuing Operations</b>	<b>59,391</b>	<b>62,988</b>	<b>60,192</b>	<b>57,414</b>	<b>59,030</b>	<b>57,215</b>	<b>1,977</b>	<b>3,958</b>	<b>2,977</b>	<b>4,094</b>	<b>4,835</b>	<b>2,015,694</b>	<b>2,019,578</b>

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 2010

### 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, together with related administration costs.

#### **ADMINISTRATION**

Costs not otherwise attributed to other functions / activities.

#### **PUBLIC ORDER & SAFETY**

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

#### **HEALTH**

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

#### **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, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, 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.

#### **FUEL & ENERGY - Gas Supplies**

#### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries and 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, street lighting, other.

#### **ECONOMIC AFFAIRS**

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

### Note 3. Income from Continuing Operations

<b>\$ '000</b>	<b>Notes</b>	<b>Actual 2010</b>	<b>Actual 2009</b>
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		25,711	24,858
Farmland		24	23
Business		3,233	3,019
Environmental Infrastructure Levy		1,425	1,373
<b>Total Ordinary Rates</b>		<b>30,393</b>	<b>29,273</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496 & s.501)			
Domestic Waste Management Services		8,772	8,258
Stormwater Management Services		526	520
<b>Total Annual Charges</b>		<b>9,298</b>	<b>8,778</b>
<b><u>TOTAL RATES &amp; ANNUAL CHARGES</u></b>		<b><u>39,691</u></b>	<b><u>38,051</u></b>

Council has used 2010 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 2010

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Nil			
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608, 610A & 611)			
Building Charges		206	153
Development Applications		755	768
Inspection Fees		243	225
Section 149 Certificates (EPA Act)		211	178
Section 603 Certificates		109	71
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,524</b>	<b>1,395</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.610C))			
Advertising Fees		170	83
Beach Parking		1,443	1,148
Caravan Park		3,985	3,722
Cemetery Charges		559	384
Child Care		637	563
Coastal Environmental Centre		142	143
Credit Card Recovery Fee		64	67
Film Permits		174	205
Golf Course		204	389
Lease Rentals & Venue Hire		1,805	1,500
Leaseback Fees - Council Vehicles		382	385
Pittwater Rugby Park		101	100
Road Reserves		170	126
Other		514	588
<b>Total Fees &amp; Charges - Other</b>		<b>10,350</b>	<b>9,403</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>11,874</b>	<b>10,798</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		126	142
- Interest earned on Investments (interest & coupon payment income)		906	1,483
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		469	(936)
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>1,501</u></b>	<b><u>689</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		126	142
General Council Cash & Investments		1,085	473
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		276	60
Other Externally Restricted Assets		13	13
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		1	1
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>1,501</u></b>	<b><u>689</u></b>
<b>(d). Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	120	(150)
Rental Income - Investment Properties	14	136	123
Fines		2,129	1,955
Other Fines - Library		48	46
Legal Fees Recovery - Other		179	111
Commissions & Agency Fees		6	6
DECC Performance Payment		216	124
Insurance Claim Recoveries		216	146
Market Income		36	-
Pre Lodgement (Planning)		44	-
Other		347	433
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,477</u></b>	<b><u>2,794</u></b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	1,576	1,819	-	-
Pensioners' Rates Subsidies - General Component	272	246	-	-
<b>Total General Purpose</b>	<b>1,848</b>	<b>2,065</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	113	100	-	-
Community Centres / Services	641	662	198	26
Environmental Programs	360	708	192	316
Library	145	145	-	-
Street Lighting	138	129	-	-
Transport (Other Roads & Bridges Funding)	59	86	340	598
Other	-	-	60	-
<b>Total Specific Purpose</b>	<b>1,456</b>	<b>1,830</b>	<b>790</b>	<b>940</b>
<b>Total Grants</b>	<b>3,304</b>	<b>3,895</b>	<b>790</b>	<b>940</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	2,533	551	436	560
- State Funding	643	2,694	354	365
- Other Funding	128	650	-	15
	<b>3,304</b>	<b>3,895</b>	<b>790</b>	<b>940</b>



## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 3. Income from Continuing Operations (continued)

\$ '000		2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions					
<b>Developer Contributions:</b>					
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>					
Roadworks		-	-	-	336
Drainage		-	-	-	246
Open Space		-	-	256	394
Community Facilities		-	-	140	157
Other		-	-	151	-
<b>Total Developer Contributions</b>	17	<b>-</b>	<b>-</b>	<b>547</b>	<b>1,133</b>
<b>Other Contributions:</b>					
Bungan Lane Carpark access		-	-	23	-
Department of Lands		-	18	-	-
Natural Disaster		-	514	-	-
Road Restorations		393	242	-	-
RTA Contributions (Regional/Local, Block Grant)		68	65	402	258
Tennis Court Wharf Ramp		-	-	30	-
Vila World Monavale		-	-	-	473
Warringah Pittwater SES		9	-	-	-
Other		34	40	38	111
<b>Total Other Contributions</b>		<b>504</b>	<b>880</b>	<b>493</b>	<b>842</b>
<b>Total Contributions</b>		<b>504</b>	<b>880</b>	<b>1,040</b>	<b>1,975</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>3,808</b>	<b>4,775</b>	<b>1,830</b>	<b>2,915</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2010	Actual 2009
(g). Restrictions relating to Grants and Contributions		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	5,720	8,120
<b>add:</b> Grants and contributions recognised in the current period which have not been spent:	1,306	2,409
<b>less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(1,166)	(4,809)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>140</b>	<b>(2,400)</b>
<b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b>	<b>5,860</b>	<b>5,720</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	659	1,607
- Developer Contributions	5,144	4,094
- Other Contributions	57	19
	<b>5,860</b>	<b>5,720</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		17,825	17,661
Travelling		52	46
Employee Leave Entitlements (ELE)		1,915	2,665
Superannuation		2,617	1,971
Workers' Compensation Insurance		1,027	657
Fringe Benefit Tax (FBT)		138	124
Training Costs (other than Salaries & Wages)		271	295
Other		11	20
<b>Total Employee Costs</b>		<b>23,856</b>	<b>23,439</b>
less: Capitalised Costs		(811)	(950)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>23,045</u></b>	<b><u>22,489</u></b>
Number of "Equivalent Full Time" Employees at year end		<b>280</b>	<b>270</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		584	228
Charges relating to Finance Leases		20	1
<b>Total Interest Bearing Liability Costs</b>		<b>604</b>	<b>229</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>604</b>	<b>229</b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>604</u></b>	<b><u>229</u></b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		1,183	1,298
Contractor & Consultancy Costs			
- Contracts: General		4,352	4,562
- Contracts: Waste		4,722	4,563
- Contracts: Plant Expenses		1,531	1,462
Audit Services - Council's Auditor		50	40
Audit Services - Other Services (Council's Auditor)		1	1
- Legal Expenses - Planning & Development		776	1,010
- Legal Expenses - Other		257	299
Operating Lease Rentals - Minimum Lease Payments <sup>(1)</sup>		364	445
Operating Lease Rentals - Contingent Rentals <sup>(1)</sup>		97	97
Other		517	204
<b>Total Materials &amp; Contracts</b>		<b>13,850</b>	<b>13,981</b>
less: Capitalised Costs		-	-
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>13,850</u></b>	<b><u>13,981</u></b>
<b>1. Operating Lease Payments are attributable to:</b>			
- Other		461	542
		<b>461</b>	<b>542</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,167	1,180
Office Equipment		-	-	662	659
Furniture & Fittings		-	-	246	198
Property, Plant & Equipment - Leased		-	-	23	-
Land Improvements (depreciable)		-	-	49	48
Buildings - Non Specialised		-	-	1,128	1,012
Buildings - Specialised		-	-	192	192
Other Structures		-	-	16	17
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	1,814	1,779
- Stormwater Drainage		-	-	1,665	1,651
- Library Books		-	-	239	262
- Other		-	-	519	392
Intangible Assets	25	-	-	141	-
<b>Total Depreciation &amp; Impairment Costs</b>		<b>-</b>	<b>-</b>	<b>7,861</b>	<b>7,390</b>
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>7,861</b>	<b>7,390</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		481	471
Bad & Doubtful Debts		252	238
Bank Charges		191	174
Commissions		302	534
Consultancies		1,690	1,764
- NSW Fire Brigade Levy		1,394	1,297
- Department of Planning Levy		150	147
- Other Contributions/Levies		509	435
Councillor Expenses - Mayoral Fee		33	33
Councillor Expenses - Councillors' Fees		137	131
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		69	65
Electricity & Heating		344	277
Family Day Care Fee Relief		274	230
Insurance		1,054	1,045
Management Fees		789	640
Postage		89	107
Printing & Stationery		291	327
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	150
Street Lighting		810	784
Sustenance		137	162
Telephone & Communications		204	240
Tourism Expenses (excluding employee costs)		-	-
Valuation Fees		93	78
Waste Disposal		3,226	2,820
Water Rates		304	271
Other		847	568
<b>Total Other Expenses</b>		<b>13,670</b>	<b>12,988</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>13,670</u></b>	<b><u>12,988</u></b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold		-	(30)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(30)</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		1,392	1,179
less: Carrying Amount of P&E Assets Sold		(1,182)	(1,180)
<b>Net Gain/(Loss) on Disposal</b>		<b>210</b>	<b>(1)</b>
<b>Financial Assets*</b>			
Proceeds from Disposal		-	11,000
less: Carrying Amount of Financial Assets Sold / Redeemed		-	(11,000)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal		-	622
less: Carrying Amount of "Held for Sale" Assets Sold		-	(421)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>201</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>210</b>	<b>170</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		235	-	178	-
Cash-Equivalent Assets <sup>1</sup>					
- Short Term Deposits		3,025	-	8,600	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>3,260</b>	<b>-</b>	<b>8,778</b>	<b>-</b>
Investment Securities (Note 6b)					
- Long Term Deposits		13,500	-	8,000	-
- CDO's & Structured Notes held to maturity		732	-	1,000	-
- CDO's		795	-	555	-
- Other Long Term Maturity Financial Instruments		1,484	-	2,255	-
<b>Total Investment Securities</b>		<b>16,511</b>	<b>-</b>	<b>11,810</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>19,771</b>	<b>-</b>	<b>20,588</b>	<b>-</b>

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

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

**Cash & Cash Equivalents**

<b>a. "At Fair Value through the Profit &amp; Loss"</b>	<b>3,260</b>	<b>-</b>	<b>8,778</b>	<b>-</b>
---	--------------	----------	--------------	----------

**Investments**

<b>a. "At Fair Value through the Profit &amp; Loss"</b>				
- "Designated at Fair Value on Initial Recognition" 6(b-i)	2,279	-	2,810	-
<b>b. "Held to Maturity" 6(b-ii)</b>	<b>14,232</b>	<b>-</b>	<b>9,000</b>	<b>-</b>
<b>Investments</b>	<b>16,511</b>	<b>-</b>	<b>11,810</b>	<b>-</b>



## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 6b. Investments (continued)

	2010	2010	2009	2009
	Actual	Actual	Actual	Actual
\$ '000	Current	Non Current	Current	Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	2,810	-	3,746	-
Revaluations (through the Income Statement)	469	-	(936)	-
Disposals (sales & redemptions)	(1,000)	-	-	-
<b>Balance at End of Year</b>	<b>2,279</b>	<b>-</b>	<b>2,810</b>	<b>-</b>
<b>Comprising:</b>				
- CDO's	795	-	555	-
- Other Long Term Maturity Financial Assets	1,484	-	2,255	-
<b>Total</b>	<b>2,279</b>	<b>-</b>	<b>2,810</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	9,000	-	11,000	-
Additions	13,500	-	9,000	-
Disposals (sales & redemptions)	(8,268)	-	(11,000)	-
<b>Balance at End of Year</b>	<b>14,232</b>	<b>-</b>	<b>9,000</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	13,500	-	8,000	-
- CDO's & Structured Notes	732	-	1,000	-
<b>Total</b>	<b>14,232</b>	<b>-</b>	<b>9,000</b>	<b>-</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>19,771</b>	<b>-</b>	<b>20,588</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	6,385	-	8,415	-
Internal Restrictions (refer below)	11,575	-	8,607	-
Unrestricted	1,811	-	3,566	-
	<b>19,771</b>	<b>-</b>	<b>20,588</b>	<b>-</b>

2010	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	2,000	-	(2,000)	-
<b>External Restrictions - Included in Liabilities</b>	<b>2,000</b>	<b>-</b>	<b>(2,000)</b>	<b>-</b>

**External Restrictions - Other**

Developer Contributions - General (D)*	4,094	823	227	5,144
RTA Contributions (E)	19	408	(370)	57
Specific Purpose Unexpended Grants (F)*	1,607	4,155	(4,711)	659
Domestic Waste Management (G)	655	-	(196)	459
Stormwater Management (G)	40	539	(513)	66
<b>External Restrictions - Other</b>	<b>6,415</b>	<b>5,926</b>	<b>(5,563)</b>	<b>6,385</b>
<b>Total External Restrictions</b>	<b>8,415</b>	<b>5,926</b>	<b>(7,563)</b>	<b>6,385</b>

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

**E** RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

**G** 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 2010

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments (continued)

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	20	49	-	69
Employees Leave Entitlement	1,211	23	-	1,234
Carry Over Works	-	123	-	123
Deposits, Retentions, Bonds & Trust	618		(23)	595
Caravan Park Capital Works	187	150	(130)	207
Cemetery Reserve	1,324	278	(217)	1,385
Controlled Entities	104	68	(3)	169
Church Point Easement	138	-	(6)	132
Election Reserve	-	75	-	75
Environmental Levy (Escarpment)	1,603	137	(44)	1,696
Environmental Infrastructure Levy	435	1,468	(1,235)	668
General Reserve	1,746	2,151	(424)	3,473
IT Reserve	18	30	-	48
Lagoon Entrance Clearing	75	25	-	100
Marine Infrastructure	128	50	(16)	162
Outdoor Seating	69	97	(137)	29
Road Reserve	284	198	(19)	463
Strategic Property Rationalisation Reserve	9	202	(48)	163
Tennis Liaison Trust Fund	140	37	(7)	170
Other	498	315	(199)	614
<b>Total Internal Restrictions</b>	<b>8,607</b>	<b>5,476</b>	<b>(2,508)</b>	<b>11,575</b>
<b>TOTAL RESTRICTIONS</b>	<b>17,022</b>	<b>11,402</b>	<b>(10,071)</b>	<b>17,960</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		1,024	624	904	552
Interest & Extra Charges		305	109	305	94
User Charges & Fees		613	-	410	-
Accrued Revenues					
- Interest on Investments		300	-	138	-
Government Grants & Subsidies		760	-	416	-
Net GST Receivable		398	-	539	-
Fines Outstanding		269	115	228	97
Other Debtors		114	-	96	-
<b>Total</b>		<b>3,783</b>	<b>848</b>	<b>3,036</b>	<b>743</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(53)	-	(72)	-
Fines		(269)	(115)	(80)	(34)
<b>Total Provision for Impairment - Receivables</b>		<b>(322)</b>	<b>(115)</b>	<b>(152)</b>	<b>(34)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>					
		<b>3,461</b>	<b>733</b>	<b>2,884</b>	<b>709</b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		226	118	205	105
Stormwater Management		13	6	11	6
<b>Total External Restrictions</b>		<b>239</b>	<b>124</b>	<b>216</b>	<b>111</b>
<b>Internally Restricted Receivables</b>					
<b>Internally Restricted Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>3,222</b>	<b>609</b>	<b>2,668</b>	<b>598</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,461</b>	<b>733</b>	<b>2,884</b>	<b>709</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 9.00% (2009 10.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Pittwater Council

# Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		58	-	66	-
Trading Stock		1	-	1	-
<b>Total Inventories</b>		<b>59</b>	<b>-</b>	<b>67</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments <sup>(1)</sup>		958	-	4,490	-
<b>Total Other Assets</b>		<b>958</b>	<b>-</b>	<b>4,490</b>	<b>-</b>
<b><u>TOTAL INVENTORIES &amp; OTHER ASSETS</u></b>		<b>1,017</b>	<b>-</b>	<b>4,557</b>	<b>-</b>

<sup>(1)</sup> Prepayments for 2009 included an advance payment of \$3.315M for Council's contribution towards shares in Kimbriki Environmental Services Pty Ltd.

<b>Total Externally Restricted Assets</b>	-	-	-	-
<b>Total Internally Restricted Assets</b>	-	-	-	-
<b>Total Unrestricted Assets</b>	1,017	-	4,557	-
<b><u>TOTAL INVENTORIES &amp; OTHER ASSETS</u></b>	<b><u>1,017</u></b>	<b><u>-</u></b>	<b><u>4,557</u></b>	<b><u>-</u></b>

Notes to the Financial Statements  
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009				Asset Movements during the Reporting Period							as at 30/6/2010			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Transfers to other Assets	Initial Valuation of R,B,F & D (Refer 20(c))	Tfrs from/(to) "Held for Sale" category	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Deprec.	Value								Cost	Fair Value	Dep'n	Value
Capital Work in Progress	5,572	-	-	5,572	1,180			(5,572)	-	-	-	1,180	-	-	1,180
Plant & Equipment	-	7,468	3,019	4,449	2,263	(1,182)	(1,167)		-	-	-	-	7,581	3,218	4,363
Office Equipment	-	5,422	3,724	1,698	377		(662)		-	-	-	-	5,799	4,386	1,413
Furniture & Fittings	-	2,364	854	1,510			(246)		-	-	-	-	2,364	1,100	1,264
Plant & Equipment (under Finance Lease)	-	235	-	235			(23)		-	-	-	-	235	23	212
<b>Land:</b>															
- Operational Land	-	46,021	-	46,021					-	(921)	423	-	45,523	-	45,523
- Community Land	1,556,814	-	-	1,556,814					-	(225)	-	1,556,589	-	-	1,556,589
Land Improvements - depreciable	4,664	-	447	4,217			(49)		-	-	-	4,664	-	496	4,168
Buildings - Non Specialised	-	79,042	22,897	56,145	544		(1,128)	1,420	-	-	-	-	81,005	24,024	56,981
Buildings - Specialised	-	12,647	5,162	7,485			(192)		-	-	-	-	12,647	5,354	7,293
Other Structures	1,645	-	187	1,458	97		(16)	111	-	-	-	1,853	-	203	1,650
<b>Infrastructure:</b>															
- Roads, Bridges, Footpaths	260,494	-	85,595	174,899	1,199		(1,814)	2,886	478	-	-	-	237,398	59,750	177,648
- Stormwater Drainage	166,495	-	56,135	110,360	405		(1,665)	149	(5,915)	-	-	-	135,470	32,136	103,334
<b>Other Assets:</b>															
- Library Books	1,794	-	1,193	601	151		(239)		-	-	-	1,147	-	634	513
- Other	12,300	-	1,967	10,333	2,897		(519)	1,006	-	-	-	16,203	-	2,486	13,717
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>2,009,778</b>	<b>153,199</b>	<b>181,180</b>	<b>1,981,797</b>	<b>9,113</b>	<b>(1,182)</b>	<b>(7,720)</b>	<b>-</b>	<b>(5,437)</b>	<b>(1,146)</b>	<b>423</b>	<b>1,581,636</b>	<b>528,022</b>	<b>133,810</b>	<b>1,975,848</b>

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

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

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

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

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

#### Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,759	-	2,857	-
Goods & Services - capital expenditure		439	-	-	-
Payments Received In Advance		334	-	366	-
Accrued Expenses:					
- Borrowings		54	-	69	-
- Other Expenditure Accruals		87	-	76	-
Security Bonds, Deposits & Retentions		595	-	618	-
<b>Total Payables</b>		<b>3,268</b>	<b>-</b>	<b>3,986</b>	<b>-</b>
<b>Borrowings</b>					
Bank Overdraft		-	-	1,204	-
Loans - Secured <sup>1</sup>		800	6,386	981	7,186
Finance Lease Liabilities		28	207	22	234
<b>Total Borrowings</b>		<b>828</b>	<b>6,593</b>	<b>2,207</b>	<b>7,420</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,876	-	1,783	-
Sick Leave		312	-	297	-
Long Service Leave		3,805	155	3,798	155
Other Leave		5	-	24	-
Sub Total - Aggregate Employee Benefits		5,998	155	5,902	155
<b>Total Provisions</b>		<b>5,998</b>	<b>155</b>	<b>5,902</b>	<b>155</b>
<b>Total Payables, Borrowings &amp; Provisions</b>					
		<b>10,094</b>	<b>6,748</b>	<b>12,095</b>	<b>7,575</b>



## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

(i) Liabilities relating to Restricted Assets	2010		2009	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Nil				
<b>Internally Restricted Assets</b>				
Security Bonds, Deposits & Retentions	595	-	618	-
Liabilities relating to internally restricted assets	595	-	618	-
<b>Total Liabilities relating to restricted assets</b>	<b>595</b>	<b>-</b>	<b>618</b>	<b>-</b>

<sup>1</sup>. 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.

## (ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.	2010	2009
Provisions - Employees Benefits	3,952	3,913
Payables - Security Bonds, Deposits & Retentions	314	371
	<b>4,266</b>	<b>4,284</b>

## Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,783	1,609	(1,539)	23	-	1,876
Sick Leave	297	50	(5)	(30)	-	312
Long Service Leave	3,953	882	(381)	(494)	-	3,960
Other Leave	24	(19)	-	-	-	5
<b>TOTAL</b>	<b>6,057</b>	<b>2,521</b>	<b>(1,925)</b>	<b>(501)</b>	<b>-</b>	<b>6,153</b>

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 2010

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	3,260	8,778
Less Bank Overdraft	10	-	(1,204)
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>3,260</b>	<b>7,574</b>

**(b) Reconciliation of Net Operating Result  
to Cash provided from Operating Activities**

<b>Net Operating Result from Income Statement</b>		<b>3,958</b>	<b>2,977</b>
Adjust for non cash items:			
Depreciation & Amortisation		7,861	7,390
Net Losses/(Gains) on Disposal of Assets		(210)	(170)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(469)	936
- Investment Properties		(120)	150
Share of Net (Profits) or Losses of Associates/Joint Ventures		(597)	138
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(852)	1,136
Increase/(Decrease) in Provision for Doubtful Debts		251	(164)
Decrease/(Increase) in Inventories		8	16
Decrease/(Increase) in Other Current Assets		17	(3,636)
Increase/(Decrease) in Payables		(1,098)	1,099
Increase/(Decrease) in accrued Interest Payable		(15)	22
Increase/(Decrease) in other accrued Expenses Payable		11	1
Increase/(Decrease) in Other Current Liabilities		(55)	46
Increase/(Decrease) in Employee Leave Entitlements		96	686
Increase/(Decrease) in Other Provisions		-	-
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>8,786</b>	<b>10,627</b>

**(c) Non-Cash Investing & Financing Activities**

Acquisition of Plant & Equipment by means of Finance Lease	-	259
<b>Total Non-Cash Investing &amp; Financing Activities</b>	<b>-</b>	<b>259</b>

## Pittwater Council

### Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements</b>		<b>500</b>	<b>500</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

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

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

#### **(ii) Secured Loan Liabilities**

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

#### Note 12. Commitments for Expenditure

##### **(a) Capital Commitments (exclusive of GST)**

Nil

##### **(b) Other Expenditure Commitments (exclusive of GST)**

Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Waste Services	15,825	15,825
Audit Services	49	94
Lakeside Caravan Park Management fees	9,420	845
Public Amenities Cleaning	490	481
Office Cleaning	126	-
<b>Total Commitments</b>	<b>25,910</b>	<b>17,245</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	4,285	4,384
Later than one year and not later than 5 years	21,625	12,861
Later than 5 years	-	-
<b>Total Payable</b>	<b>25,910</b>	<b>17,245</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
<b>(c) Finance Lease Commitments</b>			
<b>(i) Commitments under Finance Leases at the Reporting Date are payable as follows:</b>			
Within the next year		42	42
Later than one year and not later than 5 years		252	294
Later than 5 years		-	-
<b>Total Minimum Lease Payments</b>		<b>294</b>	<b>336</b>
less: Future Finance Charges		(59)	(80)
<b>Amount Recognised as a Liability</b>		<b>235</b>	<b>256</b>

**(ii) Finance Lease Liability Recognised represent;**

Current Liabilities	28	22
Non-Current Liabilities	207	234
<b>Total Finance Lease Liabilities Disclosed</b>	<b>235</b>	<b>256</b>

**(iii) General Details**

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Other Equipment/Assets	5	Y/N	Y/N	235	256
<b>Total Carrying Value at Year End</b>				<b>235</b>	<b>256</b>

**(d) 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	27	147
Later than one year and not later than 5 years	20	-
Later than 5 years	-	-
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>47</b>	<b>147</b>

**b. Non Cancellable Operating Leases include the following assets:**

Photocopiers, Computers, Hardware

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
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##### Conditions relating to Finance & Operating Leases:

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

##### (e) Investment Property Commitments

Nil

##### (f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year	852	849
Later than one year and not later than 5 years	1,332	1,332
Later than 5 years	-	-
<b>Total Payable</b>	<b>2,184</b>	<b>2,181</b>

##### (g) Investment in Associates / Joint Ventures - Commitments

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

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 20092008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(1)</sup>	22,222	3.81 : 1	2.92	3.24
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	5,828			
2. Debt Service Ratio				
Debt Service Cost	1,605	2.71%	1.82%	1.77%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	59,198			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	39,691	63.01%	63.22%	51.49%
Revenue from Continuing Operations	62,988			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,062	4.95%	4.65%	4.53%
Rates, Annual & Extra Charges Collectible	41,672			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	3,088	64.35%	156.47%	174.00%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	4,799			

## Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

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

<sup>(2)</sup> Refer to Note 10(a).<sup>(3)</sup> Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).<sup>(4)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 14. Investment Properties

\$ '000	Notes	Actual 2010	Actual 2009
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>1,720</b>	<b>1,600</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		1,600	1,750
- Net Gain/(Loss) from Fair Value Adjustments		120	(300)
- Other Movements		-	150
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>1,720</b>	<b>1,600</b>
<b>(b) Valuation Basis</b>			
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 valuation was done by Scott Fullerton Valuations Pty Ltd as at 30th June 2010			
<b>(d) Leasing Arrangements</b>			
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		150	149
Later than 1 year but less than 5 years		-	-
Later than 5 years		-	-
<b>Total Minimum Lease Payments Receivable</b>		<b>150</b>	<b>149</b>
<b>(e) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		136	123
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(35)	(34)
<b>Net Revenue Contribution from Investment Properties</b>		<b>101</b>	<b>89</b>
plus:			
<b>Fair Value Movement for year</b>		<b>120</b>	<b>(300)</b>
<b>Total Income attributable to Investment Properties</b>		<b>221</b>	<b>(211)</b>



## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

### 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	
	2010	2009	2010	2009
<b>Financial Assets</b>				
Cash and Cash Equivalents	3,260	8,778	3,260	8,778
Investments				
- "Designated At Fair Value on Initial Recognition"	2,279	2,810	2,279	2,810
- "Held to Maturity"	14,232	9,000	14,232	8,439
Receivables	4,194	3,593	4,482	3,593
<b>Total Financial Assets</b>	<b>23,965</b>	<b>24,181</b>	<b>24,253</b>	<b>23,620</b>
<b>Financial Liabilities</b>				
Bank Overdraft	-	1,204		1,204
Payables	2,934	3,620	2,932	3,620
Loans / Advances	7,186	8,167	7,186	8,167
Lease Liabilities	235	256	235	256
<b>Total Financial Liabilities</b>	<b>10,355</b>	<b>13,247</b>	<b>10,353</b>	<b>13,247</b>

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 2010

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance Section manages its Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. 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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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 counterparty (to an investment) 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 (during the reporting period) due to a change in either the price of a financial asset or the interest rates applicable

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2010</b>				
Possible impact of a 10% movement in Market Values	1,432	1,432	(1,432)	(1,432)
Possible impact of a 1% movement in Interest Rates	142	142	(142)	(142)
<b>2009</b>				
Possible impact of a 10% movement in Market Values	1,181	1,181	(1,181)	(1,181)
Possible impact of a 1% movement in Interest Rates	88	88	(88)	(88)

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

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

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

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

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

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:

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	22	791	-	510
Past due by up to 30 days	144	387	302	1,331
Past due between 31 and 180 days	169	129	187	168
Past due between 181 and 365 days	390	196	94	314
Past due by more than 1 year	923	1,480	873	-
	<b>1,648</b>	<b>2,983</b>	<b>1,456</b>	<b>2,323</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2010	2009
Balance at the beginning of the year			186	350
+ new provisions recognised during the year			269	186
- previous impairment losses reversed			(18)	(350)
<b>Balance at the end of the year</b>			<b>437</b>	<b>186</b>

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

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

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

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down

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		
2010									
Trade/Other Payables	595	2,337	-	-	-	-	-	2,932	2,934
Loans & Advances	-	800	800	800	800	800	3,186	7,186	7,186
Lease Liabilities	-	26	42	42	126	-	-	236	235
Total Financial Liabilities	595	3,163	842	842	926	800	3,186	10,354	10,355
2009									
Bank Overdraft	1,204	-	-	-	-	-	-	1,204	1,204
Trade/Other Payables	602	2,581	-	-	-	-	-	3,183	3,620
Loans & Advances	-	760	-	-	-	-	2,680	3,440	8,167
Lease Liabilities	-	-	-	-	-	-	-	-	256
Total Financial Liabilities	1,806	3,341	-	-	-	-	2,680	7,827	13,247

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	9.8%	1,204	11.1%
Trade/Other Payables	2,934	7.0%	3,620	6.0%
Loans & Advances - Fixed Interest Rate	7,186	7.5%	8,167	7.1%
Lease Liabilities	235	6.2%	256	6.2%
	<b>10,355</b>		<b>13,247</b>	

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 15 June 2009.

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.

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

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

\$ '000	2010 Budget	2010 Actual	2010 Variance*		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>39,867</b>	<b>39,691</b>	<b>(176)</b>	<b>(0%)</b>	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>11,154</b>	<b>11,874</b>	<b>720</b>	<b>6%</b>	<b>F</b>
<b>Interest &amp; Investment Revenue</b>	<b>89</b>	<b>1,501</b>	<b>1,412</b>	<b>1587%</b>	<b>F</b>
The original budget of \$89,000 incorporated CDO losses of (\$550,000) and interest income of \$639,000. The actual result of \$1,501,000 reflected:					
1. an improvement as to the fair value of tradable CDOs of \$518,000					
2. an improvement as to the anticipated crystallization loss of a CDO held to maturity of \$233,000					
3. an improvement in interest income due to higher interest rates and cash on hand of \$623,000					
4. a net improvement in bank interest, interest on rates and abandonments of \$38,000					
<b>Other Revenues</b>	<b>2,824</b>	<b>3,477</b>	<b>653</b>	<b>23%</b>	<b>F</b>
The improvement in Other Revenue of \$727,000 is mainly attributable to:					
1. an increase in the fair value of Council's Properties of \$120,000 that was not budgeted for.					
2. Legal recoveries of \$179,000 that was not budgeted for.					
3. Insurance recoveries of \$126,000 that was not budgeted for.					
4. an increase above budget in the Waste Rebate of \$79,000					
5. DA pre-lodgement income of \$43,000 that was not budgeted for.					
6. an increase in income above budget associated with Waste management of \$34,000					

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance* -----		
<b>REVENUES</b> (continued)					
<b>Operating Grants &amp; Contributions</b>	<b>3,382</b>	<b>3,808</b>	<b>426</b>	13%	<b>F</b>
The improvement in Operating Grants and Contributions of \$426,000 is mainly attributable to the 2010/11, First Quarterly installment of the Financial Assistance Grant being paid early in the 2009/10 Financial Year. This was not budgeted.					
<b>Capital Grants &amp; Contributions</b>	<b>1,770</b>	<b>1,830</b>	<b>60</b>	3%	<b>F</b>
<b>Net Gains from Disposal of Assets</b>	<b>-</b>	<b>210</b>	<b>210</b>	0%	<b>F</b>
No budget for Gains or Losses from the Disposal of Assets was allowed for in the 2009/10 Financial Year.					
<b>Share of Net Profits - Joint Ventures &amp; Associates</b>	<b>305</b>	<b>597</b>	<b>292</b>	96%	<b>F</b>
The original budget assumed the council share of the Kimbriki operations. This is no more a joint venture operation					
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>24,221</b>	<b>23,045</b>	<b>1,176</b>	5%	<b>F</b>
<b>Borrowing Costs</b>	<b>586</b>	<b>604</b>	<b>(18)</b>	(3%)	<b>U</b>
<b>Materials &amp; Contracts</b>	<b>12,221</b>	<b>13,850</b>	<b>(1,629)</b>	(13%)	<b>U</b>
The unfavourable variance in Material and Contracts of \$1,627,000 is mainly attributable to:					
1. an increase above budget in material costs of \$80,000.					
2. an increase above budget in stores issues of \$101,000.					
3. an increase above budget in plant and machinery maintenance costs of \$256,000.					
4. an increase above budget in IT maintenance of \$96,000.					
5. an increase above budget in contract services of \$677,000,					
mainly attributable to costs associated with pools, sports grounds, bushland and parks maintenance.					
6. an increase above budget in legal costs of \$117,000.					
<b>Depreciation &amp; Amortisation</b>	<b>7,665</b>	<b>7,861</b>	<b>(196)</b>	(3%)	<b>U</b>
<b>Other Expenses</b>	<b>12,671</b>	<b>13,670</b>	<b>(999)</b>	(8%)	<b>U</b>
<b>Net Losses from Disposal of Assets</b>	<b>50</b>	<b>-</b>	<b>50</b>	100%	<b>F</b>
Original budget assumed a net loss of \$ 50k from the sale of vehicles. Where as the council made a profit of \$ 210 k, this improvement was shown in the council quarterly report.					

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 ----- Variance* -----
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## Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	9,060	8,786	(274) (3.0%) U
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Cash Flows from Investing Activities	(6,180)	(12,098)	(5,918) 95.8% U
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The budget for total cash, cash equivalent and investments did not reflect the sale and purchase of investments  
The investments are included in the total amounts

Cash Flows from Financing Activities	(760)	(1,002)	(242) 31.8% U
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Repayment of borrowings was understated in the original budget, however this was adjusted in the quarterly review from 760 to 981k



# Notes to the Financial Statements

for the financial year ended 30 June 2010

## 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	1,226	-	-	63	(20)	-	1,269	3,995	(5,274)	(10)	-
Roads	(453)	-	-	(24)	(24)	-	(501)	3,723	(3,212)	10	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	3,188	-	-	161	(72)	-	3,277	-	(3,277)	0	-
Open Space	(886)	256	-	(49)	(309)	-	(988)	5,383	(4,390)	5	-
Community Facilities	2,334	140	-	178	(168)	1,000	3,484	4,468	(9,054)	(1,103)	-
Other	(1,315)	151	-	(53)	(1,180)	1,000	(1,396)	1,001	(666)	(1,061)	-
<b>S94 Contributions - under a Plan</b>	<b>4,094</b>	<b>547</b>	<b>-</b>	<b>276</b>	<b>(1,773)</b>	<b>2,000</b>	<b>5,144</b>	<b>18,570</b>	<b>(25,873)</b>	<b>(2,159)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>4,094</b>	<b>547</b>	<b>-</b>	<b>276</b>	<b>(1,773)</b>	<b>2,000</b>	<b>5,144</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	-	-	-	-	-	-	-				
<b>Total Contributions</b>	<b>4,094</b>	<b>547</b>	<b>-</b>	<b>276</b>	<b>(1,773)</b>	<b>2,000</b>	<b>5,144</b>	<b>18,570</b>	<b>(25,873)</b>	<b>(2,159)</b>	<b>-</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2010

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	3,058	-	-	155	(22)	-	3,191	-	(3,191)	-	-
<b>Total</b>	<b>3,058</b>	<b>-</b>	<b>-</b>	<b>155</b>	<b>(22)</b>	<b>-</b>	<b>3,191</b>	<b>-</b>	<b>(3,191)</b>	<b>-</b>	<b>-</b>

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	242	256	-	8	(341)	-	165	-	(199)	(34)	-
<b>Total</b>	<b>242</b>	<b>256</b>	<b>-</b>	<b>8</b>	<b>(341)</b>	<b>-</b>	<b>165</b>	<b>-</b>	<b>(199)</b>	<b>(34)</b>	<b>-</b>

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	216	48	-	12	(119)	-	157	-	(156)	1	-
<b>Total</b>	<b>216</b>	<b>48</b>	<b>-</b>	<b>12</b>	<b>(119)</b>	<b>-</b>	<b>157</b>	<b>-</b>	<b>(156)</b>	<b>1</b>	<b>-</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

CONTRIBUTION PLAN NUMBER 4 to 10 & 15 - WARRIEWOOD VALLEY and MATERIAL PUBLIC WORKS								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	1,226	-	-	63	(20)	-	1,269	3,995	(5,274)	(10)	
Roads	(453)	-	-	(24)	(24)	-	(501)	3,723	(3,212)	10	
Open Space	(1,128)	-	-	(57)	32	-	(1,153)	5,383	(4,191)	39	
Community Facilities	3,078	-	-	156	(44)	-	3,190	4,468	(8,795)	(1,137)	
Other	(1,312)	-	-	(70)	(136)	-	(1,518)	1,001	(545)	(1,062)	
<b>Total</b>	<b>1,411</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>(192)</b>	<b>-</b>	<b>1,287</b>	<b>18,570</b>	<b>(22,017)</b>	<b>(2,160)</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 14 - NEWPORT CAR PARK								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Parking	130	-	-	6	(50)	-	86	-	(86)	0	
<b>Total</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(50)</b>	<b>-</b>	<b>86</b>	<b>-</b>	<b>(86)</b>	<b>0</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 18 - COMMUNITY SERVICE FACILITIES								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Community Facilities	(960)	92	-	10	(5)	1,000	137	-	(103)	34	
<b>Total</b>	<b>(960)</b>	<b>92</b>	<b>-</b>	<b>10</b>	<b>(5)</b>	<b>1,000</b>	<b>137</b>	<b>-</b>	<b>(103)</b>	<b>34</b>	<b>-</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2010

## 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	(3)	151	-	17	(1,043)	1,000	122	-	(121)	1	
<b>Total</b>	<b>(3)</b>	<b>151</b>	<b>-</b>	<b>17</b>	<b>(1,043)</b>	<b>1,000</b>	<b>122</b>	<b>-</b>	<b>(121)</b>	<b>1</b>	<b>-</b>

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, 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 and that member Councils will need to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme stated the Defined Benefit Scheme council share is \$ 1.968 million and accordingly and the 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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 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 of 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 2010

### 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 updated 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 2010

#### 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 Balance Sheet.

(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 Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Associated Entities	863	165	4,176	3,152
Joint Venture Entities	(266)	(303)	997	872
<b>Total</b>	<b>597</b>	<b>(138)</b>	<b>5,173</b>	<b>4,024</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

## 19(a) Subsidiaries (ie. Entities &amp; Operations controlled by Council)

Council has no interest in any Subsidiaries.

## 19(b) Associated Entities &amp; Joint Venture Entities

## (i) ASSOCIATED ENTITIES

## (a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2010	2009
Kimbriki Environmental Services P/L	Recycling	4,176	3,152
<b>Total Carrying Amounts - Associated Entities</b>		<b>4,176</b>	<b>3,152</b>

## (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2010	2009	2010	2009	2010	2009
Kimbriki Environmental Services P/L	34%	30%	34%	30%	34%	17%

## (c) Movement in Carrying Amounts of Councils Equity Interest

	Kimbriki Environmental Services P/L	
	2010	2009
Opening Balance	3,152	2,987
Share in Operating Result	863	165
New Capital Contributions	161	-
<b>Councils Equity Share in the Joint Venture Entity</b>	<b>4,176</b>	<b>3,152</b>

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

2010	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	4,176	-	4,176	1,024	863
<b>Totals</b>	<b>4,176</b>	<b>-</b>	<b>4,176</b>	<b>1,024</b>	<b>863</b>
2009	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	3,152	-	3,152	3,906	165
<b>Totals</b>	<b>3,152</b>	<b>-</b>	<b>3,152</b>	<b>3,906</b>	<b>165</b>



## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

## (ii) JOINT VENTURE ENTITIES

## (a) Carrying Amounts

Name of Entity	Principal Activity	2010	2009
Warringah/Pittwater Bushfire Committee	Regional Bushfire Prevention	997	872
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>997</b>	<b>872</b>

## (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2010	2009	2010	2009	2010	2009
Warringah/Pittwater Bushfire Committee	50%	50%	50%	50%	50%	50%

## (c) Movement in Carrying Amounts

	Warringah/Pittwater Bushfire Committee	
	2010	2009
Opening Balance	872	772
Share in Operating Result	(266)	(303)
New Capital Contributions	391	403
<b>Councils Equity Share in the Joint Venture Entity</b>	<b>997</b>	<b>872</b>

## (d) Share of Joint Ventures Assets &amp; Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2010</b>					
Warringah/Pittwater Bushfire Committee	879	162	43	-	997
<b>Totals</b>	<b>879</b>	<b>162</b>	<b>43</b>	<b>-</b>	<b>997</b>
<b>2009</b>					
Warringah/Pittwater Bushfire Committee	190	682	-	-	872
<b>Totals</b>	<b>190</b>	<b>682</b>	<b>-</b>	<b>-</b>	<b>872</b>

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

	2010			2009		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Warringah/Pittwater Bushfire Committee	899	1,165	(266)	301	604	(303)
<b>Totals</b>	<b>899</b>	<b>1,165</b>	<b>(266)</b>	<b>301</b>	<b>604</b>	<b>(303)</b>

## 19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

## 19(d) Subsidiaries, Associated Entities &amp; Joint Venture Operations Not Recognised

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

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,954,200	1,951,223
a. Correction of Prior Period Errors	20 (c)	53,324	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	(58,761)	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		3,958	2,977
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
<b>Balance at End of the Reporting Period</b>		<b>1,952,721</b>	<b>1,954,200</b>

**b. Reserves****(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	46,131	45,708
<b>Total</b>	<b>46,131</b>	<b>45,708</b>

**(ii). Reconciliation of movements in Reserves:****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance	45,708	45,708
- Revaluations for the year	9(a) 423	-
<b>- Balance at End of Year</b>	<b>46,131</b>	<b>45,708</b>

**TOTAL VALUE OF RESERVES**

<b>46,131</b>	<b>45,708</b>
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**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

# Pittwater Council

## Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<p>A reassessment of Asset Conditions has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.</p> <p>As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 01/07/09 to reflect the correct value of accumulated depreciation;</p>			
Roads, Bridges & Footpaths (increase)/decrease to accumulated depreciation		27,660	
Stormwater Drainage (increase)/decrease to accumulated depreciation		25,664	
XYZ Asset Class (increase)/decrease to accumulated depreciation			
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/06/2009		53,324	
<p><b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b></p> <p><b>These amounted to the following Equity Adjustments:</b></p>			
- Adjustments to Opening Equity - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/09 (relating to adjustments for the 30/6/09 year end)	9(a)	53,324	-
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>53,324</b>	<b>-</b>

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000

## d. Voluntary Changes in Accounting Policies

The valuation methods used in the infrastructure assets has been changed since the first valuation done in 1996. These changed valuations were brought in to the accounts to reflect the current replacement cost

(58,761) -

This has had the effect of reducing the value of Infrastructure Assets:

-

Transportation assets

(31,580)

Drainage assets

(27,181)

**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 - 1/7/08

- -

(relating to adjustments for the 30/6/08 reporting year end and prior periods)

- Adjustments to Closing Equity - 30/6/09

(58,761) -

(relating to adjustments for the 30/6/09 year end)

**Total Prior Period Adjustments - Accounting Policy Changes**

**(58,761) -**

## Pittwater Council

## Notes to the Financial Statements

for the financial year ended 30 June 2010

## Note 21. Financial Result &amp; Financial Position by Fund

Council's activities are undertaken from General Fund operations only.

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

\$ '000	2010		2009	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
<b>Non Current Assets "Held for Sale"</b>				
Land	4,597	-	3,419	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>4,597</b>	<b>-</b>	<b>3,419</b>	<b>-</b>
<b><u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u></b>	<b><u>4,597</u></b>	<b><u>-</u></b>	<b><u>3,419</u></b>	<b><u>-</u></b>

\$ '000	Assets "Held for Sale"		Disposal Groups	
	2010	2009	2010	2009
(ii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
<b>Opening Balance</b>	3,419	3,561	-	-
<b>less: Carrying Value of Assets/Operations Sold</b>	-	(421)	-	-
<b>Balance still unsold after 12 months:</b>	<b>3,419</b>	<b>3,140</b>	<b>-</b>	<b>-</b>
<b>plus New Transfer in:</b>				
Assets "Held for Sale"	1,146	202	-	-
Expenditure	33	77	-	-
<b>Closing Balance of "Held for Sale"</b>	<b>4,597</b>	<b>3,419</b>	<b>-</b>	<b>-</b>
<b>Non Current Assets &amp; Operations</b>	<b>4,597</b>	<b>3,419</b>	<b>-</b>	<b>-</b>

## Pittwater Council

### Notes to the Financial Statements for the financial year ended 30 June 2010

#### Note 23. Events occurring after Balance Sheet Date

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\$ '000

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Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 19/08/10.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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

#### Note 24. Discontinued Operations

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

#### Note 25. Intangible Assets

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

	Actual 2010 Carrying Amount	Actual 2009 Carrying Amount
<b>Intangible Assets are as follows;</b>		
<b>Opening Values:</b>		
Gross Book Value (1/7)	-	-
Accumulated Amortisation & Impairment	-	-
<b>Net Book Value - Opening Balance</b>	-	-
<b>Movements for the year</b>		
- Purchases	3,515	-
- Amortisation charges	(141)	-
<b>Closing Values:</b>		
Gross Book Value (30/6)	3,515	-
Accumulated Amortisation & Impairment	(141)	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u><sup>1</sup></b>	<b><u>3,374</u></b>	<b><u>-</u></b>

<sup>1</sup> **The Net Book Value of Intangible Assets represent:**

Right to participate & take up shares in Kimbriki Environmental Enterprises P/L	3,374	-
	<b><u>3,374</u></b>	<b><u>-</u></b>

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

## Pittwater Council

### Notes to the Financial Statements

for the financial year ended 30 June 2010

### Note 27. Additional Council Disclosures - Financial Information

\$ '000

#### Key Financial Figures of Council over the past 5 years - Consolidated

<b>Financial Performance Figures</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Inflows:</b>					
Rates & Annual Charges revenue	<b>39,691</b>	38,051	36,220	33,955	32,665
User Charges revenue	<b>11,874</b>	10,798	11,573	10,548	9,684
Interest & Investment revenue	<b>1,501</b>	689	737	1,351	1,130
Grants Income - Operating & Capital	<b>4,094</b>	4,835	18,037	38,867	9,855
Total Income from Continuing Operations	<b>62,988</b>	60,192	70,345	88,041	56,151
Sale Proceeds from I,PP&E	<b>1,392</b>	1,801	1,378	1,517	1,418
New Loan Borrowings & Advances	-	5,515	-	-	-
<b>Outflows:</b>					
Employee Benefits & On-cost expenses	<b>23,045</b>	22,489	21,096	19,517	19,550
Borrowing Costs	<b>604</b>	229	243	289	340
Materials & Contracts expenses	<b>13,850</b>	13,981	14,382	13,100	10,127
Total Expenses from Continuing Operations	<b>59,030</b>	57,215	55,043	51,811	49,634
Total Cash purchases of I,PP&E	<b>8,706</b>	17,130	14,964	10,132	16,144
Total Loan Repayments (incl. Finance Leases)	<b>1,002</b>	763	712	668	770
Operating Surplus/(Deficit) (excl. Capital Income)	<b>2,128</b>	62	1,182	1,318	239
<b>Financial Position Figures</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Current Assets	<b>28,846</b>	31,448	29,127	25,940	17,072
Current Liabilities	<b>10,094</b>	12,095	9,495	10,305	8,551
Net Current Assets	<b>18,752</b>	19,353	19,632	15,635	8,521
Cash & Investments - Unrestricted	<b>1,811</b>	3,566	389	2,581	566
Cash & Investments - Internal Restrictions	<b>11,575</b>	8,607	11,928	10,734	9,225
Cash & Investments - Total	<b>19,771</b>	20,588	20,673	21,681	12,800
Available Working Capital (Unrestricted Net Current Assets)	<b>7,902</b>	10,842	8,551	6,650	4,568
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>7,421</b>	9,627	3,412	4,124	4,792
Total Value of I,PP&E (excl. Land & Earthworks)	<b>507,546</b>	560,142	438,831	443,083	500,131
Total Accumulated Depreciation	<b>133,810</b>	181,180	139,459	142,001	154,451
Indicative Remaining Useful Life (as a % of GBV)	74%	68%	68%	68%	69%

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



## Pittwater Council

### Notes to the Financial Statements for the financial year ended 30 June 2010

#### Note 28. Additional Council Disclosures - Council Information

---

**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

**Opening Hours**

Monday to Thursday 8.00 am to 5.30 pm  
Friday 8.00 am to 5.00 pm

**Internet:** [www.pittwater.nsw.gov.au](http://www.pittwater.nsw.gov.au)

**Email:** [pittwater\\_council@pittwaterl.nsw.gov.au](mailto:pittwater_council@pittwaterl.nsw.gov.au)

**Officers**
**GENERAL MANAGER**

Mark Ferguson

**RESPONSIBLE ACCOUNTING OFFICER**

Mark Jones

**PUBLIC OFFICER**

Mark Jones

**AUDITORS**

Hill Rogers Spencer Steer  
Level 5 Chifley Square,  
Sydney NSW 2000

**Elected Members**
**MAYOR**

Cr Harvey Rose

**COUNCILLORS**

Cr Jacqueline Townsend  
Cr Bob Grace  
Cr Peter Hock  
Cr Bob Dunbar  
Cr Patricia Giles OAM  
Cr Ian White  
Cr Julie Hegarty  
Cr David James

**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 Balance Sheet as at 30 June 2010, 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 or the additional disclosures in Notes 27 & 28. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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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 have we have become aware of during the course of the audit.

### ***Emphasis of Matter***

Without qualification to the opinion expressed above, we draw attention to following matter.

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of most financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain Managed Funds.

At 30 June 2010, Council's investment portfolio totalled \$16.511 million and included securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets. Some of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values have been assessed based on estimates from issuers and/or other available market information.

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Based on available information, Council has restated such investments to fair value as at 30 June 2010, resulting in a write up of \$469,000. The limited availability of reliable market values and the ongoing volatility of financial markets introduce uncertainty to the valuation process. Accordingly, further changes to the stated fair value, recoverability, liquidity, cash flows and rates of return may arise as investments are disposed of and/or new information comes to hand.

As a consequence of the above, and the continuing instability of the current investment environment, there is significant uncertainty regarding the value, recoverability, liquidity, cash flow and rates of return, the resolution of which is dependent upon future events and which may materially affect the financial statements.

**HILL ROGERS SPENCER STEER**



**Gary F. MOTTAU**  
Partner

Dated at Sydney this 20th day of August 2010



Hill Rogers  
Spencer Steer

20 August 2010

The Mayor  
Pittwater Council  
5 Vuko Place  
WARRIEWOOD NSW 2102

Mayor,

**Audit Report - Year Ended 30 June 2010**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2010 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

**1. RESULTS FOR THE YEAR**

**1.1 Operating Result**

The operating result for the year was a Surplus of \$3.958 million as compared with \$2.977 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.

	2010 \$'000	% of Total	2009 \$'000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	39,691	65%	38,051	66%	1,640
User charges, fees & other revenues	16,158	26%	13,762	24%	2,396
Grants & contributions provided for operating purposes	3,808	6%	4,775	8%	(967)
Interest & investment revenue	1,501	2%	689	1%	812
	<b>61,158</b>	<b>100%</b>	<b>57,277</b>	<b>100%</b>	<b>3,881</b>
<b>Expenses</b>					
Employee benefits & costs	23,045	39%	22,489	39%	556
Materials, contracts & other expenses	27,520	47%	27,109	47%	411
Depreciation, amortisation & impairment	7,861	13%	7,390	13%	471
Borrowing costs	604	1%	229	0%	375
	<b>59,030</b>	<b>100%</b>	<b>57,217</b>	<b>100%</b>	<b>1,813</b>
<b>Surplus(Deficit) before capital items</b>	<b>2,128</b>		<b>60</b>		<b>2,068</b>
Grants & contributions provided for capital purposes	1,830		2,915		(1,085)
<b>Net Surplus(Deficit) for the year</b>	<b>3,958</b>		<b>2,975</b>		<b>983</b>

The table above shows an overall increase over the previous year of \$983,000.

Levies of rates and domestic waste management charges increased by \$1.64 million and accounted for 65% of Council's operating revenue before capital receipts.

Interest and revenue on investments amounted to \$1.501 million, including unrealised fair value gains of \$469,000 (2009 - \$689,000 after allowing for unrealised losses of \$936,000).

## 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.



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**Funds were provided by:-**

**Operating Result (as above)**

**Add back non funding items:-**

- Depreciation, amortisation & impairment
- Book value of non current assets sold
- (Gain)Loss of fair value to investment properties
- (Surplus)Deficit in joint ventures

**New loan borrowings**

**Finance Leases**

**Transfers from externally restricted assets (net)**

**Transfers from internal reserves (net)**

**Net Changes in current/non current assets & liabilities**

**2010**  
\$'000

**2009**  
\$'000

**3,958**      **2,977**

7,861      7,390

1,182      1,631

(120)      150

(597)      140

12,284      12,288

0      5,515

0      259

2,007      0

0      3,321

0      602

14,291      21,985

**Funds were applied to:-**

**Purchase and construction of assets**

**Principal repaid on loans**

**Finance lease instalments**

**Transfers to externally restricted assets (net)**

**Transfers to internal reserves (net)**

**Capital contributions to joint ventures**

**Net Changes in current/non current assets & liabilities**

(9,145)      (16,830)

(981)      (760)

(21)      (3)

0      (82)

(2,968)      0

(552)      (405)

(2,288)      0

(15,955)      (18,080)

**Increase(Decrease) in Available Working Capital**

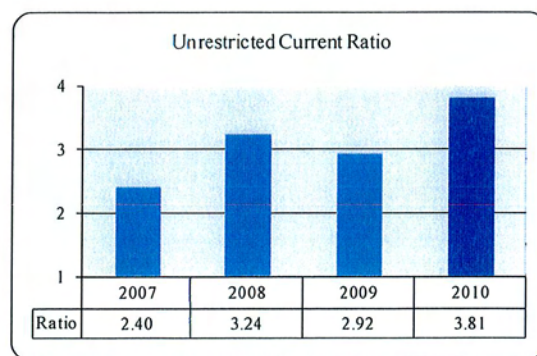
**(1,664)      3,905**

**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 \$16.395 million representing a factor of 3.81 to 1.



**2.2 Available Working Capital – (Working Funds)**

At the close of the year the Available Working Capital of Council stood at \$7.974 million as detailed below;

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	2010 \$'000	2009 \$'000	Change \$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>18,752</b>	<b>19,353</b>	<b>(601)</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	4,266	4,284	(18)
<b>Adjusted Net Current Assets</b>	<b>23,018</b>	<b>23,637</b>	<b>(619)</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	828	1,003	(175)
- Employees leave entitlements	2,046	1,989	57
- Deposits & retention moneys	281	247	34
<b>Less:</b> Externally restricted assets	(6,624)	(8,631)	2,007
<b>Less:</b> Internally restricted assets	(11,575)	(8,607)	(2,968)
<b>Available Working Capital as at 30 June</b>	<b>7,974</b>	<b>9,638</b>	<b>(1,664)</b>

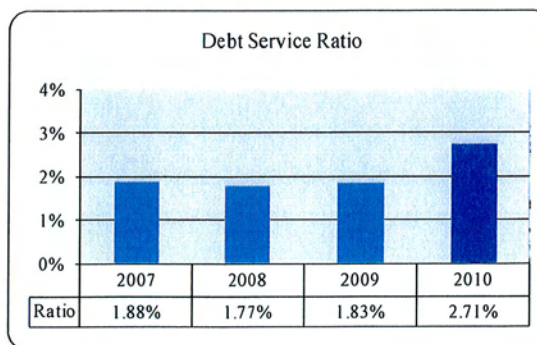
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

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 2010 was sound.

### 2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 2.71%.

Principal and interest paid was \$1.606 million leaving total debt as at 30 June 2010 at \$7.421 million (2009 - \$8.423 million).



### 2.4 Summary

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

## 3. CASH ASSETS

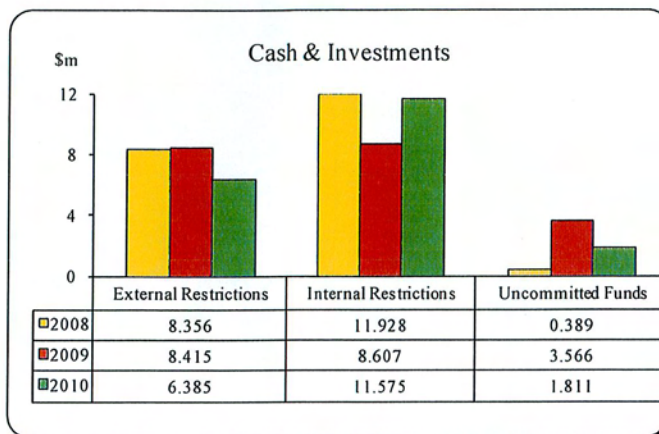
### 3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$19.771 million as compared with \$20.588 million and \$20.673 million at the close of financial years 2009 and 2008 respectively.



Investments included CDO's (Collateralised Debt Obligations) and other securities held at fair value of \$2.279 million. Note 1(f) provides details of the valuation of these securities.

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 (\$5.144 million), domestic waste management charges (\$459,000), stormwater management charges (\$66,000) and specific purpose grants and contributions (\$716,000).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$11.575 million and their purposes are more fully disclosed in Note 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$1.811 million.

### 3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash moving in and out of Council during the year and reveals that funds decreased by \$4.314 million to \$3.26 million at the close of the year.

In addition to operating activities which contributed net cash of \$8.786 million were the sale of assets (\$1.392 million) and sale of investments (\$9.268 million). Cash outflows other than operating activities were used to repay principal on loans and finance leases (\$1.02 million), contribute capital to joint ventures (\$552,000), purchase investments (\$13.5 million) and to purchase and construct assets (\$8.706 million).

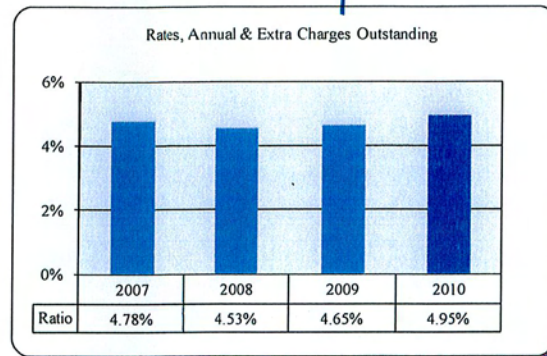
## 4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$39.691 million. Including arrears, the total rates and annual charges collectible was \$41.147 million of which \$39.499 million (95.99%) was collected.

#### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.062 million at the end of the year & represented 4.95% of those receivables.



#### 4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$2.569 million and included amounts due from other levels of government of \$1.158 million and user charges and fees amounting to \$997,000. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$437,000 which consisted mainly of unpaid parking infringements.

### 5. PAYABLES

#### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$6.153 million. A cash reserve of \$1.234 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 \$595,000 and were fully funded by internally restricted cash and investments.

### 6. REVALUATION OF ASSETS

The valuation at 'fair value' of Council's infrastructure, property, plant and equipment is being introduced in a staged approach. In previous years several asset categories, including operational land and buildings and plant and equipment have been revalued.

This year, roads, bridges, footpaths and stormwater drains were revalued. The revaluation process resulted in a net decrease to equity of \$5.014 million. Further details of the revaluation is provided in Notes 1(a), 1(j) and 9 to the Financial Statements, including details in relation to the use of a different valuation methodology for roads, drains and kerb and gutter assets in Note 1(a)(iv).

Revaluation to fair value for the remaining asset categories, including community land, other structures and land under roads, will be required as at 30 June 2011.



Hill Rogers  
Spencer Steer

7      **CONCLUSION**

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

Yours faithfully,

**HILL ROGERS SPENCER STEER**



**Gary F. MOTTAU**  
Partner

# Pittwater Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2010

---



*"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 2010

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

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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

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

	<b>Sydney Lakeside Caravan Park</b>	
	<b>Actual</b>	<b>Actual</b>
<b>\$ '000</b>	<b>2010</b>	<b>2009</b>
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	3,986	3,720
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
<b>Total income from continuing operations</b>	<b>3,986</b>	<b>3,720</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	21	11
Borrowing costs	14	31
Materials and contracts	1,522	1,620
Depreciation and impairment	235	235
Loss on sale of assets	-	-
Calculated taxation equivalents	89	89
Debt guarantee fee (if applicable)	-	-
Other expenses	933	583
<b>Total expenses from continuing operations</b>	<b>2,813</b>	<b>2,569</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,173</b>	<b>1,151</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,173</b>	<b>1,151</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,173</b>	<b>1,151</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(352)	(345)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>821</b>	<b>806</b>
plus Opening Retained Profits	39,489	39,560
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	89	89
- Debt guarantee fees	-	-
- Corporate taxation equivalent	352	345
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(795)	(1,311)
<b>Closing Retained Profits</b>	<b>39,955</b>	<b>39,489</b>
<b>Return on Capital %</b>	<b>26.7%</b>	<b>26.6%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>

## Pittwater Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2010

Sydney Lakeside  
Caravan Park

## Category 1

\$ '000	Actual 2010	Actual 2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	150	100
Investments	-	-
Receivables	12	10
Inventories	1	1
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>163</b>	<b>111</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	4,441	4,443
Land	35,466	35,466
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>39,907</b>	<b>39,909</b>
<b>TOTAL ASSETS</b>	<b>40,070</b>	<b>40,020</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	115	161
Interest bearing liabilities	-	245
Provisions	-	-
<b>Total Current Liabilities</b>	<b>115</b>	<b>406</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	125
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>125</b>
<b>TOTAL LIABILITIES</b>	<b>115</b>	<b>531</b>
<b>NET ASSETS</b>	<b>39,955</b>	<b>39,489</b>
<b>EQUITY</b>		
Retained earnings	39,955	39,489
Revaluation reserves	-	-
<b>TOTAL EQUITY</b>	<b>39,955</b>	<b>39,489</b>

## Pittwater Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2010

#### Contents of the Notes accompanying the Financial Statements

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



## Pittwater Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

#### 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's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared Business Activities

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

#### Category 1

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

##### a. Sydney Lakeside Caravan Park

Permanent & Short Stay Caravan Park Accommodation.

#### 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.

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):

## Pittwater Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

#### Note 1. Significant Accounting Policies (continued)

##### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

##### Income Tax

An income tax equivalent has been applied on the profits of the business.

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

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

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

Since 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 GPFS.

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

##### (ii) Subsidies

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

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

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 Business Activities.

##### (iii) Return on Investments (Rate of Return)

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

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**

## Pittwater Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

#### Note 1. Significant Accounting Policies (continued)

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.10% at 30/6/10.

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

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying *special purpose financial statements* of *Pittwater Council*, which comprises the Balance Sheet as at 30 June 2010, 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 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 Department 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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Steer Assurance Partners

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Hill Rogers  
Spencer Steer

The financial statements have been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government, or for any purpose other than that for which they were prepared.

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

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

***Independence***

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

***Auditor's Opinion***

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

**HILL ROGERS SPENCER STEER**



**Gary F. MOTTAU**  
**Partner**

Dated at Sydney this 20th day of August 2010

# Pittwater Council

SPECIAL SCHEDULES  
for the year ended 30 June 2010

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*"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 2010

### Contents

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#### Special Schedules<sup>1</sup>

- 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. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	7

<sup>1</sup> 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. 1 - Net Cost of Services for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Administration</b>	<b>17,117</b>	<b>2,848</b>	-	<b>(14,269)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,615	156	-	<b>(1,459)</b>
Beach Control	1,017	-	-	<b>(1,017)</b>
Enforcement of Local Govt Regs	1,859	1,905	-	<b>46</b>
Animal Control	50	28	-	<b>(22)</b>
Other	112	21	-	<b>(91)</b>
<b>Total Public Order &amp; Safety</b>	<b>4,653</b>	<b>2,110</b>	-	<b>(2,543)</b>
<b>Health</b>	-	-	-	-
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	156	78	-	<b>(78)</b>
Other Environmental Protection	257	38	-	<b>(219)</b>
Solid Waste Management	8,947	7,835	-	<b>(1,112)</b>
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	-	-	-	-
<b>Total Environment</b>	<b>9,361</b>	<b>7,951</b>	-	<b>(1,410)</b>
<b>Community Services and Education</b>				
Administration & Education	538	202	-	<b>(336)</b>
Social Protection (Welfare)	379	26	-	<b>(353)</b>
Aged Persons and Disabled	31	-	-	<b>(31)</b>
Childrens Services	1,691	1,443	-	<b>(248)</b>
<b>Total Community Services &amp; Education</b>	<b>2,640</b>	<b>1,671</b>	-	<b>(969)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	302	560	-	<b>258</b>
Public Conveniences	281	0	-	<b>(281)</b>
Street Lighting	635	29	-	<b>(606)</b>
Town Planning	4,364	1,448	-	<b>(2,916)</b>
Other Community Amenities	2,878	847	-	<b>(2,031)</b>
<b>Total Housing and Community Amenities</b>	<b>8,461</b>	<b>2,884</b>	-	<b>(5,576)</b>
<b>Water Supplies</b>	<b>64</b>	<b>37</b>	-	<b>(27)</b>
<b>Sewerage Services</b>	-	-	-	-



## Pittwater Council

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

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	1,893	223	48	(1,622)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,043	506	92	(445)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	54	-	-	(54)
Sporting Grounds and Venues	872	136	-	(736)
Swimming Pools	357	-	-	(357)
Parks & Gardens (Lakes)	3,547	117	475	(2,955)
Other Sport and Recreation	603	589	312	298
<b>Total Recreation and Culture</b>	<b>8,370</b>	<b>1,571</b>	<b>927</b>	<b>(5,872)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	-	-	-	-
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	2,258	743	419	(1,096)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	28	-	-	(28)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	194	-	-	(194)
Footpaths	584	-	80	(504)
Aerodromes	-	-	-	-
Other Transport & Communication	1,960	221	391	(1,349)
<b>Total Transport and Communication</b>	<b>5,025</b>	<b>964</b>	<b>890</b>	<b>(3,171)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	2,722	3,985	13	1,276
Other Economic Affairs	619	3,213	-	2,595
<b>Total Economic Affairs</b>	<b>3,341</b>	<b>7,198</b>	<b>13</b>	<b>3,871</b>
<b>Totals – Functions</b>	<b>59,030</b>	<b>27,234</b>	<b>1,830</b>	<b>(29,966)</b>
<b>General Purpose Revenues<sup>(1)</sup></b>		<b>33,327</b>	-	<b>33,327</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	<b>597</b>		<b>597</b>
<b>NET OPERATING RESULT FOR YEAR</b>	<b>59,030</b>	<b>61,158</b>	<b>1,830</b>	<b>3,958</b>

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

# Pittwater Council

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

for the financial year ended 30 June 2010

\$'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
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	981	7,186	8,167	-	981	-	-	583	800	6,386	7,186
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>981</b>	<b>7,186</b>	<b>8,167</b>	<b>-</b>	<b>981</b>	<b>-</b>	<b>-</b>	<b>583</b>	<b>800</b>	<b>6,386</b>	<b>7,186</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	22	234	256	-	21	-	-	20	28	207	235
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>22</b>	<b>234</b>	<b>256</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>28</b>	<b>207</b>	<b>235</b>
<b>Total Debt</b>	<b>1,003</b>	<b>7,420</b>	<b>8,423</b>	<b>-</b>	<b>1,002</b>	<b>-</b>	<b>-</b>	<b>603</b>	<b>828</b>	<b>6,593</b>	<b>7,421</b>

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

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFS's).

		Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition <sup>#</sup>	Estimated cost to bring up to a satisfactory condition standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Current <sup>(3)</sup> Annual Maintenance
ASSET CLASS	Asset Category										
Buildings		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>>			
	Community Centres	1.00%	91	-	10,216	1,852	8,364	2	285	223	-
	Child Care Centres	1.00%	19	-	1,214	458	756	2	85	16	-
	Counci Offices	1.00%	49	-	5,663	448	5,215	1	80	332	-
	Council Works Depot	2.50%	125	-	7,306	1,195	6,111	1	50	175	-
	Cemetery	1.00%	18	-	625	72	553	1	20	2	-
	Caravan Park	1-4%	199	-	8,666	3,314	5,352	2	2,880	40	-
	Library	1.00%	93	-	13,462	1,292	12,170	1	75	80	1,689
	Sporting & Surf Clubs	1.00%	93	-	11,915	5,260	6,655	2	2,520	93	-
	Golf Club	1.00%	48	-	1,219	407	812	2	168	110	-
	Bowling Clubs	1.00%	33	-	2,809	1,621	1,188	2	420	36	-
	Rental Property	1.00%	25	-	589	205	384	4	168	11	-
	Scout & Guide Halls	1.00%	27	-	674	422	252	2	250	3	-
	Wharves	2.00%	68	-	4,469	2,298	2,171	2	3,200	270	-
	Rock Pools	1.00%	52	-	4,716	2,915	1,801	2	1,575	363	-
	Rural Fire Service	1.00%	50	-	1,373	506	867	2	155	81	-
	Amenities / Toilets	1.00%	69	-	7,064	1,955	5,109	2	700	206	-
	Tennis Facilities	1.00%	45	-	970	316	654	2	210	1	-
	Other	1-10%	216	-	8,739	2,879	5,860	2	147	93	-
	sub total		1,320	-	91,689	27,415	64,274		12,988	2,135	1,689

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition <sup>#</sup>	Estimated cost to bring up to a satisfactory condition standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Current <sup>(3)</sup> Annual Maintenance
<b>Public Roads</b>		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>			
	Sealed Roads	1-65%	1,123	-	130,520	29,439	101,081	1	4,233	1,557	1,245
	Sealed Roads Structure	1.00%	140	-	21,400	6,404	14,996	2	2,100	116	37
	Footpaths	1.00%	110	-	16,703	3,292	13,411	1	2,200	452	122
	Kerb and Gutter	1.00%	388	-	66,705	20,461	46,244	1	1,892	84	90
	Road Furniture	1.00%	53	-	2,069	154	1,915	1	180	193	190
	<b>sub total</b>		<b>1,814</b>	<b>-</b>	<b>237,397</b>	<b>59,750</b>	<b>177,647</b>		<b>10,605</b>	<b>2,402</b>	<b>1,684</b>
<b>Drainage Works</b>											
	Drainage Network	1.00%	1,665	-	135,470	32,136	103,334	2	1,651	341	538
	<b>sub total</b>		<b>1,665</b>	<b>-</b>	<b>135,470</b>	<b>32,136</b>	<b>103,334</b>		<b>1,651</b>	<b>341</b>	<b>538</b>
	<b>TOTAL - ALL ASSETS</b>		<b>4,799</b>	<b>-</b>	<b>464,556</b>	<b>119,301</b>	<b>345,255</b>		<b>25,244</b>	<b>4,878</b>	<b>3,911</b>

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

1	<b>Near Perfect</b> - Ranges from New or Good
2	<b>Superficial Deterioration</b> - Ranges from Generally Good to Fair
3	<b>Deterioration Evident</b> - Ranges from Fair to Marginal

4	<b>Requires Major Reconstruction</b> - Ranges from Poor to Critical
5	<b>Asset Unserviceable</b> - Critical, Beyond Repair

## Pittwater Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual <sup>(1)</sup> 09/10	Forecast 10/11	Forecast 11/12	Forecast <sup>(3)</sup> 12/13	Forecast <sup>(3)</sup> 13/14
<b>(i) RECURRENT BUDGET</b>					
Income from continuing operations	62,988	67,911	77,353	80,839	87,806
Expenses from continuing operations	59,030	61,510	63,571	65,438	67,426
<b>Operating Result from Continuing Operations</b>	<b>3,958</b>	<b>6,401</b>	<b>13,782</b>	<b>15,401</b>	<b>20,380</b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	-	3,500	5,750	2,150	8,680
Replacement/Refurbishment of Existing Assets	6,306	7,720	5,690	9,360	11,000
<b>Total Capital Budget</b>	<b>6,306</b>	<b>11,220</b>	<b>11,440</b>	<b>11,510</b>	<b>19,680</b>
<b>Funded by:</b>					
– Loans	-	1,400	-	-	-
– Asset sales	-	-	-	-	-
– Reserves	2,137	3,900	3,140	4,010	5,230
– Grants/Contributions	2,557	4,770	7,150	6,350	1,330
– Recurrent revenue	1,612	1,150	1,150	1,150	1,150
– Other	-	-	-	-	-
	<b>6,306</b>	<b>11,220</b>	<b>11,440</b>	<b>11,510</b>	<b>7,710</b>

**Notes:**

(1) From 09/10 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.