



General Purpose & Special Purpose Financial Reports

For the Year Ended 30 June 2012



PITTWATER COUNCIL

Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



**“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 2012

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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 politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.
- Council's Statutory Charter is specified in Paragraph 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 21/08/12.
Council has the power to amend and reissue the financial statements.
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Pittwater Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

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

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


Signed in accordance with a resolution of Council made on 20 August 2012.



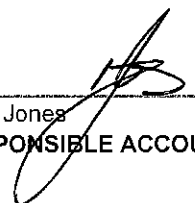
Cr Harvey Rose
MAYOR



COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

More information...

A commentary and review of Council's financial performance and position for the 11/12 financial year can be found at Note 27 of the Financial Statements.

Pittwater Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾				Actual	Actual
2012	\$ '000		Notes	2012	2011
Income from Continuing Operations					
Revenue:					
43,855	Rates & Annual Charges		3a	43,568	41,399
12,238	User Charges & Fees		3b	13,813	12,860
1,355	Interest & Investment Revenue		3c	1,911	1,683
2,828	Other Revenues		3d	3,354	3,534
3,818	Grants & Contributions provided for Operating Purposes		3e,f	5,134	4,095
3,534	Grants & Contributions provided for Capital Purposes		3e,f	9,439	5,497
Other Income:					
160	Net gains from the disposal of assets		5	90	304
290	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	1,274	608
68,078	Total Income from Continuing Operations			78,583	69,980
Expenses from Continuing Operations					
26,397	Employee Benefits & On-Costs		4a	26,171	24,879
618	Borrowing Costs		4b	487	544
13,811	Materials & Contracts		4c	16,501	15,331
8,101	Depreciation & Amortisation		4d	8,025	8,098
15,575	Other Expenses		4e	16,854	14,962
64,502	Total Expenses from Continuing Operations			68,038	63,814
3,576	Operating Result from Continuing Operations			10,545	6,166
3,576	Net Operating Result for the Year			10,545	6,166
3,576	Net Operating Result attributable to Council			10,545	6,166
-	Net Operating Result attributable to Minority Interests			-	-
42	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			1,106	669

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

Pittwater Council

Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		10,545	6,166
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,351	-
Total Other Comprehensive Income for the year		4,351	-
Total Comprehensive Income for the Year		14,896	6,166
Total Comprehensive Income attributable to Council		14,896	6,166
Total Comprehensive Income attributable to Minority Interests		-	-

Pittwater Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	11,692	1,994	3,260
Investments	6b	22,530	22,267	16,511
Receivables	7	4,122	4,546	3,461
Inventories	8	56	57	59
Other	8	335	300	958
Non-current assets classified as 'held for sale'	22	-	4,625	4,597
Total Current Assets		38,735	33,789	28,846
Non-Current Assets				
Investments	6b	-	-	
Receivables	7	883	870	733
Inventories	8	-	-	
Infrastructure, Property, Plant & Equipment	9	1,017,013	1,002,601	1,975,848
Investments accounted for using the equity method	19	6,467	5,494	5,173
Investment Property	14	1,750	1,750	1,720
Intangible Assets	25	3,093	3,234	3,374
Total Non-Current Assets		1,029,206	1,013,949	1,986,848
TOTAL ASSETS		1,067,941	1,047,738	2,015,694
LIABILITIES				
Current Liabilities				
Payables	10	6,581	3,791	3,268
Borrowings	10	955	881	828
Provisions	10	7,189	6,191	5,998
Total Current Liabilities		14,725	10,863	10,094
Non-Current Liabilities				
Borrowings	10	7,160	5,715	6,593
Provisions	10	155	155	155
Total Non-Current Liabilities		7,315	5,870	6,748
TOTAL LIABILITIES		22,040	16,733	16,842
Net Assets		1,045,901	1,031,005	1,998,852
EQUITY				
Retained Earnings	20	995,419	984,874	1,952,721
Revaluation Reserves	20	50,482	46,131	46,131
Council Equity Interest		1,045,901	1,031,005	1,998,852
Minority Equity Interest		-	-	-
Total Equity		1,045,901	1,031,005	1,998,852

Pittwater Council

Statement of Changes in Equity
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		1,263,297	46,131	1,309,428	-	1,309,428
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	(278,423)	-	(278,423)	-	(278,423)
Revised Opening Balance (as at 1/7/11)		984,874	46,131	1,031,005	-	1,031,005
c. Net Operating Result for the Year		10,545	-	10,545	-	10,545
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		4,351	4,351		4,351
Other Comprehensive Income		-	4,351	4,351	-	4,351
Total Comprehensive Income		10,545	4,351	14,896	-	14,896
d. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
e. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		995,419	50,482	1,045,901	-	1,045,901

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,952,721	46,131	1,998,852	-	1,998,852
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	(974,013)	-	(974,013)	-	(974,013)
Revised Opening Balance (as at 1/7/10)		978,708	46,131	1,024,839	-	1,024,839
c. Net Operating Result for the Year		6,166	-	6,166	-	6,166
Total Comprehensive Income		6,166	-	6,166	-	6,166
Equity - Balance at end of the reporting period		984,874	46,131	1,031,005	-	1,031,005

Pittwater Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
43,746	Rates & Annual Charges		43,387	41,083
12,238	User Charges & Fees		14,996	13,684
1,355	Investment & Interest Revenue Received		1,939	1,673
7,352	Grants & Contributions		15,447	9,414
	Bonds, Deposits & Retention amounts received		499	664
2,828	Other		6,312	5,727
Payments:				
(26,769)	Employee Benefits & On-Costs		(25,127)	(24,795)
(13,946)	Materials & Contracts		(15,982)	(17,090)
(618)	Borrowing Costs		(487)	(544)
	Bonds, Deposits & Retention amounts refunded		(590)	(730)
(16,253)	Other		(19,078)	(15,874)
9,933	Net Cash provided (or used in) Operating Activities	11b	21,316	13,211
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		21,575	14,947
1,355	Sale of Infrastructure, Property, Plant & Equipment		1,190	1,094
290	Distributions Received from Joint Ventures & Associates		302	287
Payments:				
-	Purchase of Investment Securities		(21,762)	(20,750)
(12,420)	Purchase of Infrastructure, Property, Plant & Equipment		(14,441)	(9,230)
(10,775)	Net Cash provided (or used in) Investing Activities		(13,137)	(13,652)
Cash Flows from Financing Activities				
Receipts:				
2,400	Proceeds from Borrowings & Advances		2,400	-
Payments:				
(949)	Repayment of Borrowings & Advances		(855)	(800)
-	Repayment of Finance Lease Liabilities		(26)	(25)
1,451	Net Cash Flow provided (used in) Financing Activities		1,519	(825)
609	Net Increase/(Decrease) in Cash & Cash Equivalents		9,698	(1,266)
5,123	plus: Cash & Cash Equivalents - beginning of year	11a	1,994	3,260
5,732	Cash & Cash Equivalents - end of the year	11a	11,692	1,994
Additional Information:				
15,506	plus: Investments on hand - end of year	6b	22,530	22,267
21,238	Total Cash, Cash Equivalents & Investments		34,222	24,261

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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n/a - not applicable

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards (AASB's), 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,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) & 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.

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

There has been a change in the accounting policy due to the change in methodology of revaluation of community land when compared with previous financial statements. The community land was valued at fair value by an external valuer in June 2008. The DLG has reviewed the position and required Council to revalue all assets using NSW Valuer General's valuations under the revaluation model. Council has used the valuation under VG valuation where there was a VG valuation available and in the absence of a VG valuation, the fair value has been used. Lands with no VG valuation a request has been made to the NSW VG for valuations. The net change in the value of assets had a reduction of \$278 million that has been corrected in the Council financial statements (for more information see note 20).

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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 30/6/12) and **(ii)** all the related operating results (for the financial year ended the 30th June 2012).

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

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

(i) The Consolidated Fund

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

- General Purpose Operations

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then

Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

Property, plant and equipment acquired under finance lease are 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

(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

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Government Act and S212 of the LG (General) Regulation 2005.

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are

substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets have been 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)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (Valuation is based on NSW Valuer General's valuation where available; request for remaining valuation has been lodged. For lands with no Valuer General's valuation external valuation has been used in the interim)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

Initial Recognition

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

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Capitalisation Thresholds

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

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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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
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Depreciation

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

Land is not depreciated.

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	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

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

feasibility and where Council has an intention and ability to use the asset.

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

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(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 30/06/2012.

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(r) Impairment of assets

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

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

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

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

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 its 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.

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

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

(v) Provisions

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year end for the year ending 30th June 2012 was \$ 911,249. The last valuation of the scheme was performed by Martin Stevenson BSc FIA, FIAA on 16th February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30 June 2012 a deficit still exists. Effective from 1 July 2009, employers were required to contribute additional contributions to assist in extinguishing this deficit. The additional contributions

included in the total employer contribution advised above is \$411,975.

The share of this deficit that can be broadly attributed to Pittwater Council was estimated to be in the order of \$2,928,167 as at 30 June 2012.

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

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

(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 member.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Deficits are 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 2012.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

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

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

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

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

introduce a “partial disposal” concept. Council is still assessing the impact of these amendments.

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

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

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

Applicable to Local Government but no implications for Council;

None

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

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

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	2,873	-	-	(2,873)	-	-	697	888	3,235	4,000
Administration	2,254	18,693	3,333	20,606	19,599	19,099	(18,352)	(906)	(15,766)	23	51	60,581	48,877
Public Order & Safety	2,621	1,799	2,304	4,097	6,039	5,163	(1,476)	(4,240)	(2,859)	156	159	2,777	3,353
Health	40	-	70	-	266	227	40	(266)	(157)	78	77	51	50
Environment	2,088	1,817	11,199	-	16,214	13,729	2,088	(14,397)	(2,530)	-	-	-	-
Community Services & Education	-	2,390	1,846	7,983	2,284	2,911	(7,983)	106	(1,065)	641	614	955	1,393
Housing & Community Amenities	12,907	2,652	2,248	16,477	3,633	6,571	(3,570)	(981)	(4,323)	-	-	111,267	123,054
Water Supplies	25	17	26	329	35	27	(304)	(18)	(1)	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	6,466	7,489	3,906	7,029	11,567	8,545	(563)	(4,078)	(4,639)	361	378	700,367	650,847
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport & Communication	1,660	2,811	2,897	2,622	8,401	4,398	(962)	(5,590)	(1,501)	514	620	175,559	203,068
Economic Affairs	6,859	3,244	7,233	2,486	-	3,144	4,373	3,244	4,089	10	139	6,682	7,602
Total Functions & Activities	34,920	40,912	35,061	64,502	68,038	63,814	(29,582)	(27,126)	(28,753)	2,480	2,926	1,061,474	1,042,244
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	160	1,274	608	-	-	-	160	1,274	608	1,131	-	6,467	5,494
General Purpose Income ¹	32,998	36,397	34,311	-	-	-	32,998	36,397	34,311	2,476	1,980	-	-
Operating Result from Continuing Operations	68,078	78,583	69,980	64,502	68,038	63,814	3,576	10,545	6,166	6,087	4,906	1,067,941	1,047,738

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 2012

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

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 & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		28,741	26,435
Farmland		26	24
Business		3,586	3,280
Environmental Infrastructure Levy		-	1,465
Total Ordinary Rates		32,353	31,204
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		10,683	9,667
Stormwater Management Services		532	528
Total Annual Charges		11,215	10,195
TOTAL RATES & ANNUAL CHARGES		43,568	41,399

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Nil			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Charges		171	187
Development Applications		536	774
Inspection Services		241	303
Section 149 Certificates (EPA Act)		239	224
Section 603 Certificates		87	87
Total Fees & Charges - Statutory/Regulatory		1,274	1,575
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising Fees		128	168
Beach Parking		1,829	1,698
Caravan Park		4,503	4,062
Cemeteries		732	583
Child Care		900	843
Coastal Environmental Centre		196	240
Credit Card Recovery Fee		69	73
Film Permits		227	198
Golf Course		142	206
Lease Rentals		1,885	1,900
Leaseback Fees - Council Vehicles		407	398
Pittwater Rugby Park		119	88
Restoration Charges		928	492
Road Reserves		124	36
Other		350	300
Total Fees & Charges - Other		12,539	11,285
TOTAL USER CHARGES & FEES		13,813	12,860

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		192	147
- Interest earned on Investments (interest & coupon payment income)		1,643	1,583
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		76	185
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		-	(232)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,911</u>	<u>1,683</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		192	147
General Council Cash & Investments		874	976
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		233	351
Other Externally Restricted Assets		110	58
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		502	151
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,911</u>	<u>1,683</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	30
Rental Income - Investment Properties	14	141	140
Fines - Parking		2,403	2,395
Fines - Other		37	44
Legal Fees Recovery - Other		111	297
Commissions & Agency Fees		2	4
Insurance Claim Recoveries		222	302
Market Income		70	56
Pre Lodgement (Planning)		19	33
Animal Management		20	36
Other		329	197
<u>TOTAL OTHER REVENUE</u>		<u>3,354</u>	<u>3,534</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,223	1,718	-	-
Pensioners' Rates Subsidies - General Component	253	262	-	-
Total General Purpose	2,476	1,980	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	119	109	-	-
Community Centres / Services	908	697	150	234
Environmental Programs	597	616	433	452
Library	152	194	-	-
Street Lighting	142	139	-	-
Transport (Roads to Recovery)	-	-	202	375
Transport (Other Roads & Bridges Funding)	77	-	290	-
Other	54	1	24	109
Total Specific Purpose	2,049	1,756	1,099	1,170
Total Grants	4,525	3,736	1,099	1,170
Grant Revenue is attributable to:				
- Commonwealth Funding	3,368	2,682	202	470
- State Funding	1,188	992	1,289	-
- Other Funding	40	62	-	700
	4,596	3,736	1,491	1,170

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 Material Public Benefit	-	-	82	40
S 94 - Contributions towards amenities/services	-	-	6,265	3,496
Other Developer Contributions	443	68	-	-
Total Developer Contributions	443	68	6,347	3,536
Other Contributions:				
Restorations	4	-	-	-
RMS Contributions (Regional Roads, Block Grant)	69	71	391	535
Sports Ground Contributions	77	198	-	-
Council Deep Water Bridge	-	-	-	240
McCarrs Creek Road Grant	-	-	1,423	-
Other	16	22	179	16
Total Other Contributions	166	291	1,993	791
Total Contributions	609	359	8,340	4,327
TOTAL GRANTS & CONTRIBUTIONS	5,134	4,095	9,439	5,497

(g). Restrictions relating to Grants and Contributions**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	8,819	5,860
add: Grants & contributions recognised in the current period but not yet spent:	4,938	4,035
less: Grants & contributions recognised in a previous reporting period now spent:	(724)	(1,076)
Net Increase (Decrease) in Restricted Assets during the Period	4,214	2,959
Unexpended and held as Restricted Assets	13,033	8,819
Comprising:		
- Specific Purpose Unexpended Grants	258	504
- Developer Contributions	12,715	8,207
- Other Contributions	60	108
	13,033	8,819

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		20,041	19,117
Travelling		52	52
ELE On-costs		3,191	2,303
Superannuation		2,558	2,590
Workers' Compensation Insurance		902	1,012
Fringe Benefit Tax (FBT)		148	156
Training Costs (other than Salaries & Wages)		406	359
Other		17	26
Total Employee Costs		27,315	25,615
less: Capitalised Costs		(1,144)	(736)
TOTAL EMPLOYEE COSTS EXPENSED		26,171	24,879
Number of "Equivalent Full Time" Employees at year end		285	285
As per published council reports			
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		471	525
Charges relating to Finance Leases		16	19
Total Interest Bearing Liability Costs		487	544
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		487	544
Total Other Borrowing Costs		-	-
TOTAL BORROWING COSTS EXPENSED		487	544

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		1,212	1,300
- Contractor & Consultancy Costs: General		5,878	5,288
- Contractor & Consultancy Costs: Waste		5,008	4,815
- Contractor & Consultancy Costs: Plant Expenses		1,613	1,502
Auditors Remuneration ⁽¹⁾		61	61
Legal Expenses:			
- Legal Expenses: Planning & Development		736	729
- Legal Expenses: Other		712	753
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		615	423
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		100	89
Other		941	371
Total Materials & Contracts		16,876	15,331
less: Capitalised Costs		(375)	-
TOTAL MATERIALS & CONTRACTS		16,501	15,331
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		60	60
Remuneration for audit and other assurance services		60	60
(ii) Other Services			
- Valuation advice		-	1
- Compliance advice on Standards		1	-
Remuneration for other services		1	1
Total Auditor Remuneration		61	61
2. Operating Lease Payments are attributable to:			
Council Strata Levy and Photocopiers		615	423
Other		100	89
		715	512

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,230	1,193
Office Equipment		-	-	518	517
Furniture & Fittings		-	-	240	245
Property, Plant & Equipment - Leased		-	-	24	24
Land Improvements (depreciable)		-	-	51	49
Buildings - Non Specialised		-	-	1,029	902
Buildings - Specialised		-	-	166	215
Other Structures		-	-	22	20
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	1,869	2,080
- Stormwater Drainage		-	-	1,679	1,805
- Library Books		-	-	206	220
- Other		-	-	850	687
Intangible Assets	25	-	-	141	141
Total Depreciation & Impairment Costs		-	-	8,025	8,098
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,025	8,098

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		354	384
Bad & Doubtful Debts		9	130
Bank Charges		199	205
Commissions		395	393
Consultancies		2,446	1,833
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		162	154
- NSW Fire Brigade Levy		1,534	1,522
- Other Contributions/Levies		707	550
Councillor Expenses - Mayoral Fee		36	34
Councillor Expenses - Councillors' Fees		147	144
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		63	67
Electricity & Heating		413	357
Family Day Care Fee Relief		402	273
Insurance		1,041	1,102
Management Fees		928	731
Postage		105	95
Printing & Stationery		365	365
Street Lighting		1,076	1,063
Subscriptions & Publications		292	223
Sustenance		134	115
Telephone & Communications		432	302
Valuation Fees		103	96
Waste Disposal		4,344	3,659
Water Rates		357	307
RFS contribution		388	388
Other		422	470
Total Other Expenses		16,854	14,962
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		16,854	14,962

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,190	1,094
less: Carrying Amount of P&E Assets Sold / Written Off		(1,100)	(790)
Net Gain/(Loss) on Disposal		90	304
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		21,575	14,947
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(21,575)	(14,947)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		90	304

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		6,992	-	194	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		4,700	-	1,800	-
Total Cash & Cash Equivalents		11,692	-	1,994	-
Investment Securities (Note 6b)					
- Long Term Deposits		21,762	-	20,750	-
- CDO's		268	-	517	-
- Structured Notes held to maturity		500	-	500	-
- Other Long Term Financial Assets		-	-	500	-
Total Investment Securities		22,530	-	22,267	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		34,222	-	24,261	-
Cash & Investment Classification:					
Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		11,692	-	1,994	-
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	268	-	1,017	-
b. "Held to Maturity"	6(b-ii)	22,262	-	21,250	-
Investments		22,530	-	22,267	-

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,017	-	2,279	-
Revaluations (through the Income Statement)	76	-	185	-
Disposals (sales & redemptions)	(825)	-	(1,447)	-
Balance at End of Year	268	-	1,017	-
Comprising:				
- CDO's	268	-	517	-
- Other Long Term Financial Assets	-	-	500	-
Total	268	-	1,017	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	21,250	-	14,232	-
Additions	21,762	-	20,750	-
Impairment (loss)/prior loss reversal (via P&L)	-	-	(232)	-
Disposals (sales & redemptions)	(20,750)	-	(13,500)	-
Balance at End of Year	22,262	-	21,250	-
Comprising:				
- Long Term Deposits	21,762	-	20,750	-
- Structured Notes	500	-	500	-
Total	22,262	-	21,250	-

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	34,222	-	24,261	-
attributable to:				
External Restrictions (refer below)	14,918	-	9,684	-
Internal Restrictions (refer below)	12,742	-	12,426	-
Unrestricted	6,562	-	2,151	-
	34,222	-	24,261	-

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

Details of Restrictions

External Restrictions - Other

Developer Contributions - General (D)	8,207	7,023	(2,514)	12,715
RMS (formerly RTA) Contributions (E)	108	461	(509)	60
Specific Purpose Unexpended Grants (F)	504	5,626	(5,874)	258
Domestic Waste Management (E)	811	954	(262)	1,503
Stormwater Management (E)	54	565	(574)	45
Other Special Levies (G)	-	1,549	(1,212)	337
External Restrictions - Other	9,684	16,178	(10,945)	14,918
Total External Restrictions	9,684	16,178	(10,945)	14,918

- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMA 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 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	20	-	-	20
Employees Leave Entitlement	1,269	200	-	1,469
Carry Over Works	77	538	(77)	538
Deposits, Retentions & Bonds	529	-	(91)	438
Caravan Park Capital Works	314	150	(96)	368
Cemetery Reserve	1,261	812	-	2,073
Controlled Entities	118		(42)	76
Election Reserve	150	75	-	225
Environmental Levy (Escarpment)	1,743	35	(1,600)	178
Environmental Infrastructure Levy	713	37	(368)	382
General Reserve	3,882	72	(1,225)	2,729
IT Reserve	75	-	(75)	-
Lagoon Entrance Clearing	125	25	(100)	50
Marine Infrastructure	163	51	(33)	181
Outdoor Seating	96	127	(40)	183
Road Reserve	435	147	(168)	414
Strategic Property Rationalisation Reserve	131	-	(20)	111
Tennis Liaison Trust Fund	145	34	(44)	135
Loan CIP June 2011/12	-	1,000	(1,000)	-
Loan Lakeside Caravan Park 2011/12	-	1,400	(243)	1,157
RMS Contribution McCarrs Creek Road	-	1,423	(125)	1,298
Other	1,180	678	(1,141)	717
Total Internal Restrictions	12,426	6,804	(6,488)	12,742
TOTAL RESTRICTIONS	22,110	22,982	(17,433)	27,660

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,453	692	1,269	695
Interest & Extra Charges		255	129	182	133
User Charges & Fees		817	-	884	-
Accrued Revenues					
- Interest on Investments		283	-	456	-
Government Grants & Subsidies		512	19	1,230	-
Net GST Receivable		504	-	431	-
Fines Outstanding		427	183	416	178
Other Debtors		307	-	108	-
Total		4,557	1,023	4,976	1,006
less: Provision for Impairment					
User Charges & Fees		(109)	-	(113)	-
Fines		(326)	(140)	(317)	(136)
Total Provision for Impairment - Receivables		(435)	(140)	(430)	(136)
<u>TOTAL NET RECEIVABLES</u>		<u>4,122</u>	<u>883</u>	<u>4,546</u>	<u>870</u>
Externally Restricted Receivables					
Domestic Waste Management		308	146	253	139
Stormwater Management		17	8	17	8
Total External Restrictions		325	154	270	147
Internally Restricted Receivables					
Unrestricted Receivables		3,797	729	4,276	723
TOTAL NET RECEIVABLES		<u>4,122</u>	<u>883</u>	<u>4,546</u>	<u>870</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
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 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		55	-	56	-
Trading Stock		1	-	1	-
Total Inventories		56	-	57	-
Other Assets					
Prepayments		335	-	300	-
Total Other Assets		335	-	300	-
TOTAL INVENTORIES / OTHER ASSETS		391	-	357	-

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011				Asset Movements during the Reporting Period							as at 30/6/2012			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Re-Classification	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value								Cost	Fair Value	Dep'n	Value
Capital Work in Progress	909	-	-	909	789	-	-	(909)	-	-	-	789	-	-	789
Plant & Equipment	-	7,790	3,144	4,646	2,186	(932)	(1,230)	-	-	-	-	-	8,186	3,516	4,670
Office Equipment	-	6,161	4,903	1,258	870	-	(518)	-	-	-	-	-	7,025	5,415	1,610
Furniture & Fittings	-	2,364	1,345	1,019	94	-	(240)	-	-	-	-	-	2,458	1,585	873
Plant & Equipment (under Finance Lease)	-	235	47	188	-	-	(24)	-	-	-	-	-	235	71	164
Land:															
- Operational Land	-	45,523	-	45,523	895	-	-	250	4,625	-	-	-	51,293	-	51,293
- Community Land	-	582,576	-	582,576	843	-	-	-	-	322	-	-	583,741	-	583,741
Land Improvements - depreciable	-	4,764	544	4,220	440	-	(51)	23	-	-	-	-	5,227	595	4,632
Buildings - Non Specialised	-	80,808	23,563	57,245	1,299	(168)	(1,029)	-	-	(14,726)	1,383	-	62,410	18,406	44,004
Buildings - Specialised	-	12,647	5,568	7,079	20	-	(166)	-	-	14,726	2,646	-	36,818	12,513	24,305
Other Structures	-	1,989	223	1,766	88	-	(22)	-	-	-	-	-	2,077	245	1,832
Infrastructure:															
- Roads, Bridges, Footpaths	-	240,336	61,830	178,506	3,641	-	(1,869)	621	-	-	-	-	244,598	63,699	180,899
- Stormwater Drainage	-	136,275	33,942	102,333	667	-	(1,679)	15	-	-	-	-	136,956	35,620	101,336
Other Assets:															
- Library Books	1,335	-	854	481	217	-	(206)	-	-	-	-	-	1,552	1,060	492
- Other	18,022	-	3,170	14,852	2,371	-	(850)	-	-	-	-	-	20,393	4,020	16,373
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	20,266	1,121,468	139,133	1,002,601	14,420	(1,100)	(7,884)	-	4,625	-	4,351	789	1,162,969	146,745	1,017,013

Asset Renewals & Additions	in '\$000
Footpaths	59
Drainage	492
Roads	2,286
Traffic Assets	577
Renewals	3,414
Additions for the year	11,006
TOTAL ADDITIONS & RENEWALS	14,420

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,557	-	1,881	-
Goods & Services - capital expenditure		730	-	751	-
Payments Received In Advance		503	-	417	-
Accrued Expenses:					
- Interest on Bonds & Deposits		36	-	45	-
- Salaries & Wages		150	-	-	-
- Other Expenditure Accruals		167	-	168	-
Security Bonds, Deposits & Retentions		438	-	529	-
Total Payables		6,581	-	3,791	-
Borrowings					
Loans - Secured ¹		927	7,004	855	5,531
Finance Lease Liabilities		28	156	26	184
Total Borrowings		955	7,160	881	5,715
Provisions					
Employee Benefits;					
Annual Leave		1,961	-	1,911	-
Sick Leave		278	-	293	-
Long Service Leave		4,907	155	3,982	155
Other Leave		43	-	5	-
Sub Total - Aggregate Employee Benefits		7,189	155	6,191	155
Total Provisions		7,189	155	6,191	155
Total Payables, Borrowings & Provisions		14,725	7,315	10,863	5,870

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	5,204	3,676
Payables - Security Bonds, Deposits & Retentions	315	315
	5,519	3,991

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,911	1,764	(1,737)	23	-	1,961
Sick Leave	293	48	(57)	(6)	-	278
Long Service Leave	4,137	1,679	(579)	(175)	-	5,062
Other Leave	5	38	-	-	-	43
TOTAL	6,346	3,529	(2,373)	(158)	-	7,344

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,692	1,994
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,692	1,994
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		10,545	6,166
Adjust for non cash items:			
Depreciation & Amortisation		8,025	8,098
Net Losses/(Gains) on Disposal of Assets		(90)	(304)
Impairment Losses / (Prior Period Reversals) - Financial Investments		-	232
- Investments classified as "At Fair Value" or "Held for Trading"		(76)	(185)
- Investment Properties		-	(30)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(1,274)	(608)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		402	(1,351)
Increase/(Decrease) in Provision for Doubtful Debts		9	129
Decrease/(Increase) in Inventories		1	2
Decrease/(Increase) in Other Assets		(35)	658
Increase/(Decrease) in Payables		2,676	122
Increase/(Decrease) in other accrued Expenses Payable		149	81
Increase/(Decrease) in Other Liabilities		(14)	8
Increase/(Decrease) in Employee Leave Entitlements		998	193
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		21,316	13,211
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Total Financing Arrangements		500	500

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011		
(a) Capital Commitments (exclusive of GST)					
Nil					
(b) Finance Lease Commitments					
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:					
Within the next year		42	42		
Later than one year and not later than 5 years		168	210		
Later than 5 years		-	-		
Total Minimum Lease Payments		210	252		
less: Future Finance Charges		(26)	(42)		
Amount Recognised as a Liability		184	210		
(ii) Finance Lease Liability Recognised represent;					
Current Liabilities		28	26		
Non-Current Liabilities		156	184		
Total Finance Lease Liabilities Disclosed		184	210		
(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	184	210
Total Carrying Value at Year End				184	210
(c) 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		74	27		
Later than one year and not later than 5 years		154	20		
Later than 5 years		-	-		
Total Non Cancellable Operating Lease Commitments		228	47		

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>23,492</u>	2.55 : 1	3.47	3.81
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>9,206</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,368</u>	2.06%	2.20%	2.70%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>66,486</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>43,568</u>	55.44%	59.16%	63.01%
Income from Continuing Operations	<u>78,583</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,529</u>	5.49%	5.23%	4.95%
Rates, Annual & Extra Charges Collectible	<u>46,039</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>3,414</u>	71.98%	74.85%	64.35%
Depreciation, Amortisation & Impairment	<u>4,743</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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


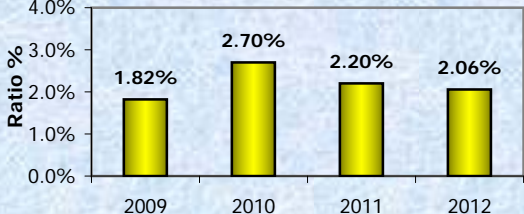
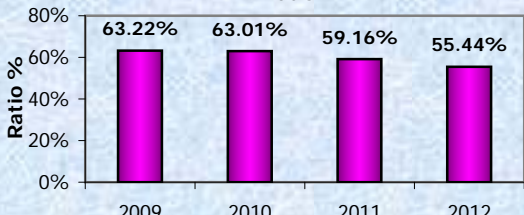
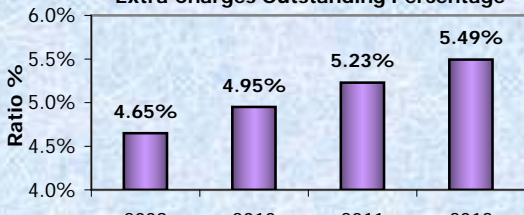
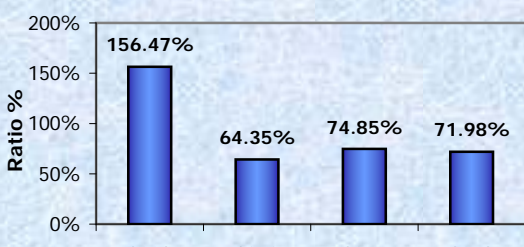
(4) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.92</td> </tr> <tr> <td>2010</td> <td>3.81</td> </tr> <tr> <td>2011</td> <td>3.47</td> </tr> <tr> <td>2012</td> <td>2.55</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	2.92	2010	3.81	2011	3.47	2012	2.55	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.55 : 1</p> <p>This ratio indicates that Council currently projects to have \$2.55 (excluding externally restricted funds such as S94 and grant monies) available to service every \$1 of debt as it falls due at the end of the financial year. 2.55:1 is considered sound and clearly demonstrates Council's ability to satisfy short term obligations. The decrease of this ratio from prior years is mainly associated with an increase in unrestricted current liabilities (payable & ELE) and a reclassification of some Current Assets to Non Current Assets.</p>
Year	Ratio : 1											
2009	2.92											
2010	3.81											
2011	3.47											
2012	2.55											
<p>2. Debt Service Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>1.82%</td> </tr> <tr> <td>2010</td> <td>2.70%</td> </tr> <tr> <td>2011</td> <td>2.20%</td> </tr> <tr> <td>2012</td> <td>2.06%</td> </tr> </tbody> </table>	Year	Ratio %	2009	1.82%	2010	2.70%	2011	2.20%	2012	2.06%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.06%</p> <p>This ratio demonstrates the cost of servicing Council's annual debt obligations (loan repayments, both principal and interest) as a portion of available Revenue from Ordinary Activities. Loan repayments remain consistent at \$1.326M but an increase in Revenue has seen a slight decline in the Ratio. At 2.06% this ratio remains low and well below Council's policy target of 5.5%</p>
Year	Ratio %											
2009	1.82%											
2010	2.70%											
2011	2.20%											
2012	2.06%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>63.22%</td> </tr> <tr> <td>2010</td> <td>63.01%</td> </tr> <tr> <td>2011</td> <td>59.16%</td> </tr> <tr> <td>2012</td> <td>55.44%</td> </tr> </tbody> </table>	Year	Ratio %	2009	63.22%	2010	63.01%	2011	59.16%	2012	55.44%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 55.44%</p> <p>This ratio indicates the dependency of Rates and Annual charges over Council's total Revenue from continuing operations. At 55.44% a balance is achieved between rates and other income streams of Council. The decrease in 2012 is mainly associated with an increase in Capital Grants & Contributions which has increased the ratio's denominator of Income from Continuing Operations.</p>
Year	Ratio %											
2009	63.22%											
2010	63.01%											
2011	59.16%											
2012	55.44%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.65%</td> </tr> <tr> <td>2010</td> <td>4.95%</td> </tr> <tr> <td>2011</td> <td>5.23%</td> </tr> <tr> <td>2012</td> <td>5.49%</td> </tr> </tbody> </table>	Year	Ratio %	2009	4.65%	2010	4.95%	2011	5.23%	2012	5.49%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 5.49%</p> <p>This ratio indicates the percentage of Rates and Annual charges outstanding at the end of the financial year. Although low at 5.49%, there has been a slight increase on past years. This increase reflects the tighter economy and the reduced capacity of rate payers to service their debts.</p>
Year	Ratio %											
2009	4.65%											
2010	4.95%											
2011	5.23%											
2012	5.49%											
<p>5. Building & Infrastructure Renewals Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>156.47%</td> </tr> <tr> <td>2010</td> <td>64.35%</td> </tr> <tr> <td>2011</td> <td>74.85%</td> </tr> <tr> <td>2012</td> <td>71.98%</td> </tr> </tbody> </table>	Year	Ratio %	2009	156.47%	2010	64.35%	2011	74.85%	2012	71.98%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 71.98%</p> <p>This ratio indicates the rate of renewal and replacement of existing assets as against the depreciation of the same category of assets. Although Council's ratio remains below its benchmark of 100%, additional funds sourced via the Special Rate Variation and Council's future borrowings program will assist in increasing Council's ratio.</p>
Year	Ratio %											
2009	156.47%											
2010	64.35%											
2011	74.85%											
2012	71.98%											

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
Investment Properties on Hand		<u>1,750</u>	<u>1,750</u>
Reconciliation of Annual Movement:			
Opening Balance		1,750	1,720
- Net Gain/(Loss) from Fair Value Adjustments		-	30
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,750</u>	<u>1,750</u>
(b) Valuation Basis			
The basis of valuations 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 location and condition subject to similar leases			
The 2012 valuation was carried out by an external valuer and since the last valuation (30/6/11) there has been no increase in value			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows; Unit 9, 13, Vuko Place Warriewood NSW 2102			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		141	140
Total Minimum Lease Payments Receivable		<u>141</u>	<u>140</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		141	140
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(35)	(35)
Net Revenue Contribution from Investment Properties		<u>106</u>	<u>105</u>
plus:			
Fair Value Movement for year		-	30
Total Income attributable to Investment Properties		<u>106</u>	<u>135</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	11,692	1,994	11,692	1,994
Investments				
- "Designated At Fair Value on Initial Recognition"	268	1,017	268	1,017
- "Held to Maturity"	22,262	21,250	22,262	21,250
Receivables	5,005	5,416	5,005	5,416
Total Financial Assets	39,227	29,677	39,227	29,677
Financial Liabilities				
Payables	6,078	3,374	6,078	3,374
Loans / Advances	7,931	6,386	7,931	6,386
Lease Liabilities	184	210	184	210
Total Financial Liabilities	14,193	9,970	14,193	9,970

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market 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 2012

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 10% movement in Market Values	27	27	(27)	(27)
Possible impact of a 1% movement in Interest Rates	268	268	(268)	(268)
2011				
Possible impact of a 10% movement in Market Values	102	102	(102)	(102)
Possible impact of a 1% movement in Interest Rates	232	232	(232)	(232)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	37	1,302	25	951
Past due by up to 30 days	-	817	28	2,159
Past due between 31 and 180 days	99	828	679	96
Past due between 181 and 365 days	1,199	488	150	812
Past due by more than 1 year	810	-	1,082	-
	<u>2,145</u>	<u>3,435</u>	<u>1,964</u>	<u>4,018</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			566	437
+ new provisions recognised during the year			9	129
Balance at the end of the year			<u>575</u>	<u>566</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2012									
Trade/Other Payables	438	5,640	-	-	-	-	-	6,078	6,078
Loans & Advances	-	1,150	1,150	969	969	969	2,724	7,931	7,931
Lease Liabilities	-	42	142	-	-	-	-	184	184
Total Financial Liabilities	438	6,832	1,292	969	969	969	2,724	14,193	14,193
2011									
Trade/Other Payables	529	2,528	315	-	-	-	-	3,372	3,374
Loans & Advances	-	800	855	772	487	312	3,160	6,386	6,386
Lease Liabilities	-	42	39	129	-	-	-	210	210
Total Financial Liabilities	529	3,370	1,209	901	487	312	3,160	9,968	9,970

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	6,078	6.5%	3,374	8.0%
Loans & Advances - Fixed Interest Rate	7,931	6.8%	6,386	7.5%
Lease Liabilities	184	6.2%	210	6.2%
	<u>14,193</u>		<u>9,970</u>	

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 26 April 2011.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
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REVENUES

Interest & Investment Revenue	1,355	1,911	556	41%	F
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The original budget of \$1,355,000 incorporated CDO losses of (\$100,000) and interest income of \$1,455,000.

The actual result of \$1,911,000 reflected:

- a) Improvement as to the fair value and interest of tradable CDO'S of \$258,000
- b) Improvement in interest income due to higher interest rates and cash on hand of \$197,000
- c) Greater interest received from rates and abandonments of \$101,000

Other Revenues	2,828	3,354	526	19%	F
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The Improvement on Other Revenue of \$526,000 is mainly attributable to:

- a) Legal recoveries of \$111,000 was not budgeted
- b) Insurance recoveries of \$182,000 was not budgeted
- c) Improvements in Sundry Income of \$306,000 relating to Markets, additional income associated with copy right laws, Scotland Island vehicle Contributions etc.
- d) A reduction of Fines income of \$136,000

Operating Grants & Contributions	3,818	5,134	1,316	34%	F
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The improvement of \$1,316,000 is mainly attributable to:

- a) The first two 2012/13 quarterly instalments of the Financial Assistance Grant amounting to \$905,450 were received but not budgeted in 2011/12.
- b) An increase in Restoration contributions of \$533,000
- c) S94 Management fees of \$443,000 were received but not budgeted in 2011/12
- d) An increase in Fee Relief Grant of \$185,000
- e) An increase in RTA operating grant of \$33,000
- f) An increase in DLWC operating grant of \$135,000

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES (continued)					
Capital Grants & Contributions	3,534	9,439	5,905	167%	F
The improvement in Capital Grants and Contributions is mainly attributable to:					
a) An Increase in Grants funding for works such as Wakehurst Parkway Bridge, detention Basins, Boat Tie ups etc. of \$589,000.					
b) Increase in S94 Contributions by \$3,715,000 due to the timing of the payments.					
c) Council received a one off contribution for taking ownership of McCarrs Creek Road of \$1,423,000 This amount was not budgeted.					
d) Land dedication for \$152,000 for Warriewood Valley Creek Line land that was not budgeted.					
Net Gains from Disposal of Assets	160	90	(70)	(44%)	U
The variance is due to reduction in the turnover of vehicle sales.					
EXPENSES					
Borrowing Costs	618	487	131	21%	F
The improvement in Borrowing Costs is mainly attributable to:					
a) The planned delay in drawing down the \$2.4 Million Loan for improvements at Lakeside Caravan Park and CIP Works resulting in 6 months budgeted interest charge no longer being incurred.					
Materials & Contracts	13,811	16,501	(2,690)	(19%)	U
The adverse variance is attributed to:					
a) An increase above budget in Legal fees of \$498,000					
b) An increase above budget in Materials/Stores of \$182,000					
c) An increase above budget in Contract works of \$1,110,000 mainly relating to maintenance costs associated with Buildings /Sports Grounds /Reserves / Bushland / Wharves and restoration works					
d) An increase above budget in IT software/hardware maintenance of \$176,000					
e) Operating lease rentals of \$715,000 was budgeted for under Other Expenses.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	9,933	21,316	11,383	114.6%	F
The improvement of cash flows from operating activities is mainly attributed to:					
a) Beach Parking, Caravan Park, Cemeteries, Restoration Charges etc amounting to \$2.758m					
b) An increase in investment and interest income of \$660,000					
c) An increase in Grant & Contributions of \$7.965m relating to Developer Contributions, Land Dedications and a one off contribution for taking ownership of Pittwater / McCarrs Creek Road.					
Cash Flows from Investing Activities	(10,775)	(13,137)	(2,362)	21.9%	U
The decrease of cash flows from investing activities is mainly attributable to:					
a) Additional CIP work in progress amounting to \$2.8m					

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	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	1,918	98	82	48	(702)	-	1,444	15,285	(16,722)	7	-
Roads	440	251	-	13	(21)	-	683	18,006	(19,699)	(1,010)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	3,448	-	-	102	(146)	-	3,404	-	(3,404)	-	-
Open Space	(598)	3,509	-	(23)	(957)	-	1,931	19,025	(21,267)	(311)	-
Community Facilities	3,851	2,148	-	118	(493)	-	5,624	15,381	(17,281)	3,724	-
Other	(852)	702	-	(25)	(196)	-	(371)	3,133	(3,839)	(1,077)	-
S94 Contributions - under a Plan	8,207	6,708	82	233	(2,515)	-	12,715	70,830	(82,212)	1,333	-
Total S94 Revenue Under Plans	8,207	6,708	82	233	(2,515)	-	12,715				-
Total Contributions	8,207	6,708	82	233	(2,515)	-	12,715	70,830	(82,212)	1,333	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	3,358	-	-	99	(146)	-	3,311	-	(3,311)	-	-
Total	3,358	-	-	99	(146)	-	3,311	-	(3,311)	-	-

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	592	459	-	14	(611)	-	454	-	(454)	-	-
Total	592	459	-	14	(611)	-	454	-	(454)	-	-

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	203	102	-	7	(30)	-	282	-	(282)	-	-
Total	203	102	-	7	(30)	-	282	-	(282)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,918	98	82	48	(702)	-	1,444	15,285	(16,722)	7	-
Roads	440	251	-	13	(21)	-	683	18,006	(19,699)	(1,010)	-
Open Space	(1,190)	3,050	-	(37)	(346)	-	1,477	19,025	(20,813)	(311)	-
Community Facilities	3,495	1,866	-	105	(296)	-	5,170	15,381	(16,827)	3,724	-
Other	(1,189)	443	-	(36)	-	-	(782)	3,133	(3,428)	(1,077)	-
Total	3,474	5,708	82	93	(1,365)	-	7,992	70,830	(77,489)	1,333	-

CONTRIBUTION PLAN NUMBER 14 - NEWPORT CAR PARK

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	90	-	-	3	-	-	93	-	(93)	-	-
Total	90	-	-	3	-	-	93	-	(93)	-	-

CONTRIBUTION PLAN NUMBER 18 - COMMUNITY SERVICE FACILITIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	153	180	-	6	(167)	-	172	-	(172)	-	-
Total	153	180	-	6	(167)	-	172	-	(172)	-	-

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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	337	259	-	11	(196)	-	411	-	(411)	-	-
Total	337	259	-	11	(196)	-	411	-	(411)	-	-

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

Currawong

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

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

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

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

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

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

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

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

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

Accordingly, council has decided not to enter a value of land and building associated with Currawong into its 2011/12 Financial Statements due to arrangements still not being formalised but will note the above as a Contingent Asset. When responsibilities and values are finalised council will then account for these matters as per appropriate Accounting Standards. All income derived from Currawong Cottage has been treated as internally restricted funds.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	899	754	5,241	4,643
Joint Venture Entities	375	(146)	1,226	851
Total	1,274	608	6,467	5,494

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2012	2011
Kimbriki Environmental Services P/L	Recycling	5,241	4,643
Total Carrying Amounts - Associated Entities		5,241	4,643

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Kimbriki Environmental Services P/L		34%		34%		34%

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

	Kimbriki Environmental Services P/L	
	2012	2011
Opening Balance	4,643	4,176
Share in Operating Result	900	754
Distributions Received	(302)	(287)
Council's Equity Share in the Associated Entity	5,241	4,643

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

2012	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	6,321	1,080	5,241	7,737	899
Totals	6,321	1,080	5,241	7,737	899
2011	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	5,496	853	4,643	6,672	754
Totals	5,496	853	4,643	6,672	754

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Warringah/Pittwater Bushfire Committee	Regional Bushfire Prevention	1,226	851
Total Carrying Amounts - Joint Venture Entities		1,226	851

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Warringah/Pittwater Bushfire Committee	50%	50%	50%	50%	50%	50%

(c) Movement in Carrying Amounts

	Warringah/Pittwater Bushfire Committee	
	2012	2011
Opening Balance	851	997
Share in Operating Result	375	(146)
New Capital Contributions	388	388
Adjustments to Equity	(388)	(388)
Council's Equity Share in the Joint Venture Entity	1,226	851

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2012					
Warringah/Pittwater Bushfire Committee	1,092	134	-	-	1,226
Totals	1,092	134	-	-	1,226
2011					
Warringah/Pittwater Bushfire Committee	594	257	-	-	851
Totals	594	257	-	-	851

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

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Warringah/Pittwater Bushfire Committee	1,058	683	375	833	979	(146)
Totals	1,058	683	375	833	979	(146)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,263,297	1,952,721
b. Changes in Accounting Policies (prior period effects)	20 (d)	(278,423)	(974,013)
c. Net Operating Result for the Year		10,545	6,166
Balance at End of the Reporting Period		995,419	984,874
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		50,482	46,131
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		50,482	46,131
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		46,131	46,131
- Revaluations for the year	9(a)	4,351	-
- Balance at End of Year		50,482	46,131
TOTAL VALUE OF RESERVES		50,482	46,131
Changes in Accounting Policies in last year's 10/11 Year End Accounts			
Community Land revaluation			
Valuations in accordance with the DLG's policy are now based upon Valuer General valuations, and were previously based upon external valuation.			
Community Land amendments associated with change in Accounting policy		(278,423)	(695,590)
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 - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	(695,590)
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		(278,423)	-
Total Prior Period Adjustments - Accounting Policy Changes		(278,423)	(695,590)

See note 1, under Basis of Accounting (vi) Changes in Policies

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

	2012 Current	2012 Non Current	2011 Current	2011 Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	-	-	4,625	-
Buildings	-	-	-	-
Total Non Current Assets "Held for Sale"	-	-	4,625	-
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>-</u>	<u>-</u>	<u>4,625</u>	<u>-</u>

	Disposal Groups		Assets "Held for Sale"	
	2012	2011	2012	2011
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	-	-	4,625	4,597
Capitalised expense during the year	-	-	13	-
Balance still unsold after 12 months:	-	-	4,638	4,597
less: Assets no longer classified as "Held for Sale"	-	-	-	-
plus New Transfer in:				
Assets "Held for Sale"	-	-	-	28
less: Carrying Value of Assets/Operations Sold				
Capitalised expense that were re-classified that were re-classified this reporting period	-	-	(13)	-
Closing Balance of "Held for Sale" Non Current Assets & Operations	-	-	-	4,625

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2012, 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 21/08/12.

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 2012.

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

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

Pittwater Road /McCarrs Creek Road, Church Point

Roads and Maritime Services (RMS) has transferred ownership of Pittwater Road / McCarrs Creek Road (7.7 km between Barrenjoey Road to Church Point) to Pittwater Council from the 1st of July 2012. With respect to future costs associated with the maintenance and renewal of the road, the RMA paid a grant in the sum of \$1,461,560.63 in June 2012. The council engineers have provided an indicative valuation(current replacement valuation) between \$19.3 and \$20 million which will be added to The Council's assets in 2012/13

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 25. Intangible Assets

\$ '000

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

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/11)	3,515	3,515
Accumulated Amortisation (1/7/11)	(281)	(141)
Accumulated Impairment (1/7/11)	-	-
Net Book Value - Opening Balance	3,234	3,374
Movements for the year		
- Amortisation charges	(141)	(141)
Gross Book Value (30/6/12)	3,515	3,515
Accumulated Amortisation (30/6/12)	(422)	(281)
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	3,093	3,234

¹ The Net Book Value of Intangible Assets represent:

- Software	-	-
Right to participate in Kimbriki Environmental Enterprises P/L	3,093	3,234
- Other Assets (detail here)	-	-
	3,093	3,234

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 27. Financial Commentary & Review (continued)

\$ '000

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

Financial Performance Figures	2012	2011	2010	2009	2008
Inflows:					
Rates & Annual Charges Revenue	43,568	41,399	39,691	38,051	36,220
User Charges Revenue	13,813	12,860	12,267	10,798	11,573
Interest & Investment Revenue (Losses)	1,911	1,683	1,501	689	737
Grants Income - Operating & Capital	5,624	4,906	4,094	4,835	18,037
Total Income from Continuing Operations	78,583	69,980	62,988	60,192	70,345
Sale Proceeds from I,PP&E	1,190	1,094	1,392	1,801	1,378
New Loan Borrowings & Advances	2,400	-	-	5,515	-
Outflows:					
Employee Benefits & On-cost Expenses	26,171	24,879	23,045	22,489	21,096
Borrowing Costs	487	544	604	229	243
Materials & Contracts Expenses	16,501	15,331	13,848	13,981	14,382
Total Expenses from Continuing Operations	68,038	63,814	59,030	57,215	55,043
Total Cash purchases of I,PP&E	14,441	9,230	8,706	17,130	14,964
Total Loan Repayments (incl. Finance Leases)	881	825	1,002	763	712
Operating Surplus/(Deficit) (excl. Capital Income)	1,106	669	2,128	62	1,182
Financial Position Figures	2012	2011	2010	2009	2008
Current Assets	38,735	33,789	28,846	29,127	25,940
Current Liabilities	14,725	10,863	10,094	9,495	10,305
Net Current Assets	24,010	22,926	18,752	19,632	15,635
Available Working Capital (Unrestricted Net Current Assets)	4,169	7,618	7,379	10,842	8,551
Cash & Investments - Unrestricted	6,562	2,151	1,811	3,965	389
Cash & Investments - Internal Restrictions	12,742	12,426	11,575	8,600	11,928
Cash & Investments - Total	34,222	24,261	19,771	20,588	20,673
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	8,115	6,596	7,421	9,627	3,412
Total Value of I,PP&E (excl. Land & Earthworks)	528,724	513,635	507,546	560,142	438,831
Total Accumulated Depreciation	146,745	139,133	133,810	181,180	139,459
Indicative Remaining Useful Life (as a % of GBV)	72%	73%	74%	68%	68%

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

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 28. Council Information & Contact Details

Principal Place of Business:

Unit 13, 5 Vuko Place
Warriewood NSW 2102

Contact Details**Mailing Address:**

PO Box 882
Mona Vale NSW 1660

Opening Hours:

Monday to Thursday
Friday

Telephone: 02 9970 1111

Facsimile: 02 9970 7150

Internet: www.pittwater.nsw.gov.au

Email: pittwater_council@pittwater.nsw.gov.au

Officers**GENERAL MANAGER**

Mark Ferguson

RESPONSIBLE ACCOUNTING OFFICER

Mark Jones

PUBLIC OFFICER

Warwick Lawrence

AUDITORS

Hill Rogers Spencer Steer
Level 5 , 1, 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 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

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Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



GARY MOTTAU
Partner

Dated at Sydney this 21st day of August 2012

Hill Rogers
Spencer Steer

21 August 2012

The Mayor
Pittwater Council
5 Vuko Place
WARRIEWOOD NSW 2102

Mayor,

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$10.545 million as compared with \$6.166 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.

	2012	% of	2011	% of	Increase
	\$000	Total	\$000	Total	(Decrease)
					\$000
Revenues before capital items					
Rates & annual charges	43,568	63%	41,399	64%	2,169
User charges, fees & other revenues	18,531	27%	17,306	27%	1,225
Grants & contributions provided for operating purposes	5,134	7%	4,095	6%	1,039
Interest & investment revenue	1,911	3%	1,683	3%	228
	69,144	100%	64,483	100%	4,661
Expenses					
Employee benefits & costs	26,171	38%	24,879	39%	1,292
Materials, contracts & other expenses	33,355	49%	30,293	47%	3,062
Depreciation, amortisation & impairment	8,025	12%	8,098	13%	(73)
Borrowing costs	487	1%	544	1%	(57)
	68,038	100%	63,814	100%	4,224
Surplus/(Deficit) before capital items	1,106		669		437
Grants & contributions provided for capital purposes	9,439		5,497		3,942
Net Surplus/(Deficit) for the year	10,545		6,166		4,379

The table above shows an overall increase over the previous year of \$4.379 million and is largely attributable to increased capital grants and contributions (\$3.942 million).

Levies of rates and domestic waste management charges increased by \$2.169 million and accounted for 63% of Council's operating revenue before capital receipts.

1.2 Funding Result

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

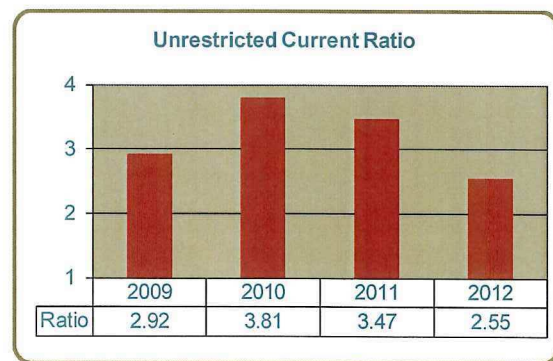
	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	10,545	6,166
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,025	8,098
- Book value of non current assets sold	1,100	790
- (Gain)/Loss of fair value to investment properties	0	(30)
- (Surplus)/Deficit in joint ventures	(1,275)	(608)
	18,395	14,416
New loan borrowings	2,400	0
Distributions from joint ventures	302	287
Net Changes in current/non current assets & liabilities	894	18
	21,991	14,721
Funds were applied to:-		
Purchase and construction of assets	(14,420)	(9,542)
Principal repaid on loans	(855)	(800)
Finance lease instalments	(26)	(25)
Transfers to externally restricted assets (net)	(5,289)	(3,330)
Transfers to internal reserves (net)	(316)	(851)
Net Changes in current/non current assets & liabilities	(4,625)	0
	(25,531)	(14,548)
Increase/(Decrease) in Available Working Capital	(3,540)	173

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 \$14.305 million representing a factor of 2.55 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.607 million as detailed below;

	2012	2011	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	24,010	22,926	1,084
Add: Payables & provisions not expected to be realised in the next 12 months included above	5,519	3,991	1,528
Adjusted Net Current Assets	29,529	26,917	2,612
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	955	881	74
- Employees leave entitlements	1,985	2,515	(530)
- Deposits & retention moneys	123	214	(91)
Less: Externally restricted assets	(15,243)	(9,954)	(5,289)
Less: Internally restricted assets	(12,742)	(12,426)	(316)
Available Working Capital as at 30 June	4,607	8,147	(3,540)

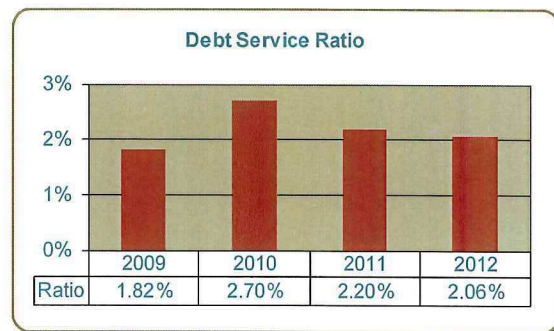
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

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 2012 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 2.06%.

Principal and interest paid was \$1.368 million leaving total debt as at 30 June 2012 at \$8.115 million (2011 - \$6.596 million).



2.4 Summary

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

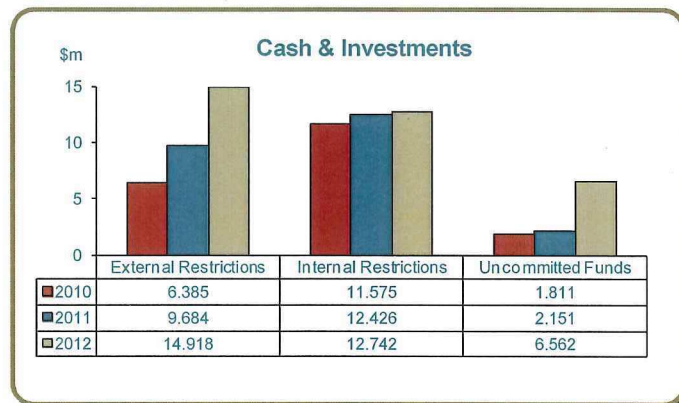
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$34.222 million as compared with \$24.261 million and \$19.771 million at the close of financial years 2011 and 2010 respectively.

Investments included CDO's (Collateralised Debt Obligations) of \$268,000. 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 (\$12.715 million), domestic waste management charges (\$1.503 million), stormwater management charges (\$45,000) and specific purpose grants, contributions and levies (\$655,000).

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 \$12.742 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$6.562 million.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that funds increased by \$9.698 million to \$11.692 million at the close of the year.

In addition to operating activities which contributed net cash of \$21.316 million were the sale of assets (\$1.190 million), distributions received from joint ventures (\$302,000), proceeds from borrowings (\$2.4 million) and sale of investments (\$21.575 million). Cash outflows other than operating activities were used to repay principal on loans and finance leases (\$881,000), purchase investments (\$21.762 million) and to purchase and construct assets (\$14.441 million).

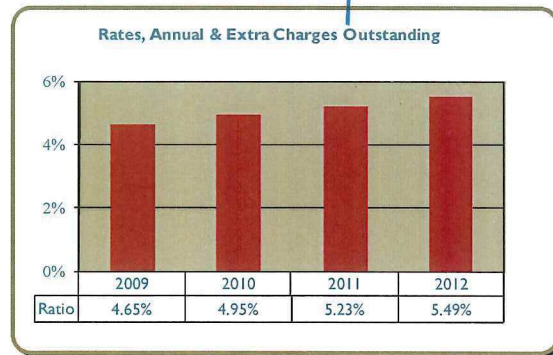
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$43.568 million. Including arrears, the total rates and annual charges collectible was \$45.532 million of which \$43.387 million (95.29%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.529 million at the end of the year & represented 5.49% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$3.051 million and included amounts due from other levels of government of \$1.035 million, user charges and fees amounting to \$817,000 and parking fines of \$610,000. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$575,000 which consisted mainly of unpaid parking fines.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$7.344 million. A cash reserve of \$1.469 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 \$438,000 and were fully funded by internally restricted cash and investments.

6. MANAGEMENT LETTER

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

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 MOTTAU
Partner

Pittwater Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



**“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 2012

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- 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
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 August 2012.



Cr Harvey Rose
MAYOR



COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Sydney Lakeside
Caravan Park

Category 1

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
User charges	4,140	4,028
Total income from continuing operations	4,140	4,028
Expenses from continuing operations		
Employee benefits and on-costs	30	9
Materials and contracts	1,122	1,119
Depreciation and impairment	270	240
Calculated taxation equivalents	96	94
Other expenses	749	617
Total expenses from continuing operations	2,267	2,079
Surplus (deficit) from Continuing Operations before capital amounts	1,873	1,949
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,873	1,949
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,873	1,949
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(562)	(585)
SURPLUS (DEFICIT) AFTER TAX	1,311	1,364
plus Opening Retained Profits	39,964	39,955
plus/less: Other Adjustments Assets disposed	(170)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	96	94
- Corporate taxation equivalent	562	585
- Dividend paid	(2,196)	(2,034)
Closing Retained Profits	39,567	39,964
Return on Capital %	44.2%	43.0%
Subsidy from Council	-	-

Pittwater Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Sydney Lakeside
Caravan Park
Category 1

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	150	150
Receivables	18	15
Inventories	1	1
Total Current Assets	169	166
Non-Current Assets		
Infrastructure, property, plant and equipment	4,241	4,534
Land	35,466	35,465
Total Non-Current Assets	39,707	39,999
TOTAL ASSETS	39,876	40,165
LIABILITIES		
Current Liabilities		
Payables	309	201
Total Current Liabilities	309	201
Non-Current Liabilities		
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	309	201
NET ASSETS	39,567	39,964
EQUITY		
Retained earnings	39,567	39,964
Revaluation reserves	-	-
Council equity interest	39,567	39,964
Minority equity interest	-	-
TOTAL EQUITY	39,567	39,964

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	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 2012

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)

Sydney Lakeside Caravan Park

Permanent & Short Stay Caravan Park Accommodation.

Category 2

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

Nil

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

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

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied

Pittwater Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

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

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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.

Pittwater Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

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Pittwater Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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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%.

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Pittwater Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/12.

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

(iv) Dividends

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

PITTWATER COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Pittwater Council**, which comprises the Balance Sheet as at 30 June 2012, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 21st day of August 2012

Pittwater Council

SPECIAL SCHEDULES
for the year ended 30 June 2012



**“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 2012

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Special Schedules¹

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

¹ Special Purpose Schedules are not audited.

Background

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

Pittwater Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	-	-	-	-
Administration	19,599	14,508	4,185	(906)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,973	-	261	(1,712)
Beach Control	971	-	-	(971)
Enforcement of Local Govt. Regulations	2,894	1,518	-	(1,376)
Animal Control	75	20	-	(55)
Other	126	-	-	(126)
Total Public Order & Safety	6,039	1,538	261	(4,240)
Health	266	-	-	(266)
Environment				
Noxious Plants and Insect/Vermin Control	102	708	-	606
Other Environmental Protection	2,744	-	731	(2,013)
Solid Waste Management	10,614	-	-	(10,614)
Street Cleaning	1,477	-	-	(1,477)
Drainage	1,277	-	378	(899)
Stormwater Management	-	-	-	-
Total Environment	16,214	708	1,109	(14,397)
Community Services and Education				
Administration & Education	243	218	12	(13)
Social Protection (Welfare)	-	31	-	31
Aged Persons and Disabled	-	373	-	373
Children's Services	2,041	1,756	-	(285)
Total Community Services & Education	2,284	2,378	12	106
Housing and Community Amenities				
Public Cemeteries	27	736	-	709
Public Conveniences	197	-	-	(197)
Street Lighting	1,079	-	-	(1,079)
Town Planning	1,479	1,361	-	(118)
Other Community Amenities	851	95	460	(296)
Total Housing and Community Amenities	3,633	2,192	460	(981)
Water Supplies	35	17	-	(18)
Sewerage Services	-	-	-	-

Pittwater Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	4,897	192	129	(4,576)
Community Centres and Halls	741	510	182	(49)
Other Cultural Services	5	-	-	(5)
Sporting Grounds and Venues	953	90	-	(863)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	3,464	-	503	(2,961)
Other Sport and Recreation	1,507	5,102	781	4,376
Total Recreation and Culture	11,567	5,894	1,595	(4,078)
Transport and Communication				
Urban Roads (UR) - Local	6,667	1,243	303	(5,121)
Bridges on UR - Local	3	-	-	(3)
Parking Areas	53	330	129	406
Footpaths	636	-	211	(425)
Other Transport & Communication	1,042	54	541	(447)
Total Transport and Communication	8,401	1,627	1,184	(5,590)
Economic Affairs				
Camping Areas & Caravan Parks	-	1,381	-	1,381
Other Economic Affairs	-	1,230	633	1,863
Total Economic Affairs	-	2,611	633	3,244
Totals – Functions	68,038	31,473	9,439	(27,126)
General Purpose Revenues⁽²⁾		36,397		36,397
Share of interests - joint ventures & associates using the equity method	-	1,274		1,274
NET OPERATING RESULT⁽¹⁾	68,038	69,144	9,439	10,545

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Pittwater Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	855	5,531	6,386	2,400	855	-	-	471	927	7,004	7,931
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	855	5,531	6,386	2,400	855	-	-	471	927	7,004	7,931
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	26	184	210	-	26	-	-	16	28	156	184
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	26	184	210	-	26	-	-	16	28	156	184
Total Debt	881	5,715	6,596	2,400	881	-	-	487	955	7,160	8,115

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

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

Pittwater Council

Special Schedule No. 7 - Condition of Public Works (continued)

as at 30 June 2012

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance	
		per Note 1	per Note 4	<<<<<<<<<<<< per Note 9 >>>>>>>>>>>>								
Public Roads	Sealed Roads	1.00%	1,178		151,526	37,317	114,209	3.50	14,324	3,341		
	Sealed Roads Structure	1.00%	142		20,048	4,084	15,964	3.00	3,580	96	2,645	
	Footpaths	1.00%	134		13,374	1,545	11,829	2.90	563	180		
	Kerb and Gutter	1.00%	388		57,032	20,615	36,417	2.3-3.15	3,368	94		
	Road Furniture	1.00%	27		2,617	137	2,480	3.23	1,214	146		
	sub total			1,869	-	244,597	63,698	180,899		23,049	3,857	2,645
Drainage Works	Drainage Network	1.00%	1,679		136,957	35,620	101,337	3.23	29,918	1,413	303	
	sub total		1,679	-	136,957	35,620	101,337		29,918	1,413	303	
	TOTAL - ALL ASSETS		4,765	-	484,748	132,371	352,377		82,715	9,702	6,115	

Notes:

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned 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.

Asset Condition "Key" - as per the DLG Integrated Planning & Reporting Manual

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

Pittwater Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	78,583	77,831	83,883	80,292	90,652
Expenses from continuing operations	68,038	69,493	72,203	74,761	76,880
Operating Result from Continuing Operations	<u>10,545</u>	<u>8,338</u>	<u>11,680</u>	<u>5,531</u>	<u>13,772</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	1,525	13,438	10,215	3,570	2,246
Replacement/Refurbishment of Existing Assets	8,114	6,251	7,251	11,369	7,558
Total Capital Budget	<u>9,639</u>	<u>19,689</u>	<u>17,466</u>	<u>14,939</u>	<u>9,804</u>
Funded by:					
– Loans	1,243	2,500	5,600	1,000	1,000
– Asset sales		1,091	1,091		
– Reserves	2,078	3,075	4,110	4,217	4,328
– Grants/Contributions	5,607	12,381	5,958	8,897	3,638
– Recurrent revenue	711	642	707	825	838
– Other					
	<u>9,639</u>	<u>19,689</u>	<u>17,466</u>	<u>14,939</u>	<u>9,804</u>

Notes:

(1) From 11/12 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.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.

