



WAVERLEY  
COUNCIL

# ANNUAL FINANCIAL STATEMENTS

For the financial year ending 30 June 2017

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**Incorporating:** General Purpose Financial Statements, Special Purpose, Financial Statements, Special Schedules

# Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*"We are united by a common passion for our  
beautiful home between the city and the sea."*



# Waverley Council

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

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

(ii) Waverley 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 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 31 October 2017. Council has the power to amend and reissue these financial statements.

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## Waverley Council

### General Purpose Financial Statements

for the year ended 30 June 2017

## Understanding Council's financial statements

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### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

### Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

### More information

A review of Council's financial performance and position for the 16/17 financial year can be found at Note 29 of the financial statements.

## Waverley Council

### General Purpose Financial Statements for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

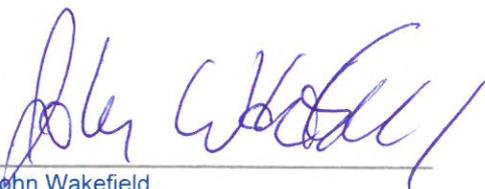
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these financial statements:**

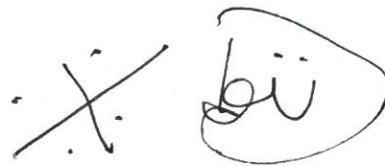
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

**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 10 October 2017.**



John Wakefield  
Mayor



Dominic Wy Kanak  
Deputy Mayor



Cathy Henderson  
Acting General Manager



Teena Su  
Responsible accounting officer

## Waverley Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
57,025	Rates and annual charges	3a	57,375	55,992
35,041	User charges and fees	3b	34,230	35,414
2,846	Interest and investment revenue	3c	4,481	4,366
16,709	Other revenues	3d	23,836	28,407
7,866	Grants and contributions provided for operating purposes	3e,f	9,521	8,558
12,372	Grants and contributions provided for capital purposes	3e,f	8,663	5,166
<b>Other income:</b>				
1,140	Net gains from the disposal of assets	5	–	110
<b>132,999</b>	<b>Total income from continuing operations</b>		<b>138,106</b>	<b>138,013</b>
<b>Expenses from continuing operations</b>				
59,687	Employee benefits and on-costs	4a	58,268	55,794
351	Borrowing costs	4b	142	95
21,177	Materials and contracts	4c	22,975	22,254
19,269	Depreciation and amortisation	4d	19,211	18,966
20,882	Other expenses	4e	22,295	23,117
–	Net losses from the disposal of assets	5	4,042	–
<b>121,366</b>	<b>Total expenses from continuing operations</b>		<b>126,933</b>	<b>120,226</b>
<b>11,633</b>	<b>Operating result from continuing operations</b>		<b>11,173</b>	<b>17,787</b>
<b>11,633</b>	<b>Net operating result for the year</b>		<b>11,173</b>	<b>17,787</b>
<b>(739)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>2,510</b>	<b>12,621</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Waverley Council

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>11,173</b>	<b>17,787</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	32,835	145,116
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>32,835</b>	<b>145,116</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>32,835</b>	<b>145,116</b>
<b>Total comprehensive income for the year</b>		<b>44,008</b>	<b>162,903</b>

## Waverley Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	14,505	14,057
Investments	6b	129,222	127,117
Receivables	7	8,476	9,356
Other	8	954	906
<b>Total current assets</b>		<b>153,157</b>	<b>151,436</b>
<b>Non-current assets</b>			
Investments	6b	14,000	–
Receivables	7	1,604	1,483
Infrastructure, property, plant and equipment	9	944,410	916,416
Investment property	14	145,945	142,306
<b>Total non-current assets</b>		<b>1,105,959</b>	<b>1,060,205</b>
<b>TOTAL ASSETS</b>		<b>1,259,116</b>	<b>1,211,641</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	18,176	17,072
Income received in advance	10	1,288	1,357
Borrowings	10	815	863
Provisions	10	16,462	15,188
<b>Total current liabilities</b>		<b>36,741</b>	<b>34,480</b>
<b>Non-current liabilities</b>			
Borrowings	10	3,758	2,470
Provisions	10	820	902
<b>Total non-current liabilities</b>		<b>4,578</b>	<b>3,372</b>
<b>TOTAL LIABILITIES</b>		<b>41,319</b>	<b>37,852</b>
<b>Net assets</b>		<b>1,217,797</b>	<b>1,173,789</b>
<b>EQUITY</b>			
Retained earnings	20	686,405	674,330
Revaluation reserves	20	531,392	499,459
<b>Council equity interest</b>		<b>1,217,797</b>	<b>1,173,789</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>1,217,797</b>	<b>1,173,789</b>

## Waverley Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		674,330	499,459	–	<b>1,173,789</b>	–	<b>1,173,789</b>	656,543	354,343	–	<b>1,010,886</b>	–	<b>1,010,886</b>
<b>a. Net operating result for the year</b>		<b>11,173</b>	–	–	<b>11,173</b>	–	<b>11,173</b>	17,787	–	–	<b>17,787</b>	–	<b>17,787</b>
<b>b. Other comprehensive income</b>													
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	32,835	–	<b>32,835</b>	–	<b>32,835</b>	–	145,116	–	<b>145,116</b>	–	<b>145,116</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>32,835</b>	–	<b>32,835</b>	–	<b>32,835</b>	<b>–</b>	<b>145,116</b>	–	<b>145,116</b>	–	<b>145,116</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>11,173</b>	<b>32,835</b>	–	<b>44,008</b>	–	<b>44,008</b>	<b>17,787</b>	<b>145,116</b>	–	<b>162,903</b>	–	<b>162,903</b>
<b>c. Distributions to/(contributions from) non-controlling interests</b>		–	–	–	–	–	–	–	–	–	–	–	–
<b>d. Transfers between equity</b>		902	(902)	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>686,405</b>	<b>531,392</b>	–	<b>1,217,797</b>	–	<b>1,217,797</b>	<b>674,330</b>	<b>499,459</b>	–	<b>1,173,789</b>	–	<b>1,173,789</b>

## Waverley Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
57,103	Rates and annual charges		56,843	55,559
35,118	User charges and fees		36,975	36,671
2,892	Investment and interest revenue received		3,597	4,183
17,073	Grants and contributions		17,986	13,786
–	Bonds, deposits and retention amounts received		342	76
16,736	Other		23,805	24,083
<b>Payments:</b>				
(53,464)	Employee benefits and on-costs		(57,016)	(55,275)
(25,164)	Materials and contracts		(25,897)	(26,081)
(71)	Borrowing costs		(133)	(83)
–	Bonds, deposits and retention amounts refunded		(178)	(97)
(22,835)	Other		(22,415)	(25,619)
<b>27,388</b>	<b>Net cash provided in operating activities</b>	11b	<b>33,910</b>	<b>27,203</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
12,874	Sale of investment securities		164,910	151,300
1,140	Sale of infrastructure, property, plant and equipment		5,729	11,796
<b>Payments:</b>				
–	Purchase of investment securities		(180,822)	(165,721)
–	Purchase of investment property		(251)	(27)
(36,348)	Purchase of infrastructure, property, plant and equipment		(24,268)	(29,570)
<b>(22,334)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(34,702)</b>	<b>(32,222)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		2,200	2,252
<b>Payments:</b>				
(1,051)	Repayment of borrowings and advances		(960)	(836)
<b>(1,051)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>1,240</b>	<b>1,416</b>
<b>4,003</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>448</b>	<b>(3,603)</b>
13,121	Plus: cash and cash equivalents – beginning of year	11a	14,057	17,660
<b>17,124</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>14,505</b>	<b>14,057</b>

# Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

##### (i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

##### (iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also 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 Council and that are believed to be reasonable under the circumstances.

##### *Critical accounting estimates and assumptions*

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

##### *Significant judgements in applying the Council's accounting policies*

- (i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

##### (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 Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its 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:

##### (i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

assets comprising these receipts. 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.

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.

Control over granted assets/contributed 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.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

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

#### (iii) 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.

#### (iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

#### (v) Rent

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

#### (vi) Dividend income

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

#### (vii) Other income

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

#### (c) Principles of consolidation

##### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of 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 (NSW) (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 reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. 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) County Councils

Council is not a member of any county councils.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iv) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

The Council has determined that it has only joint operations.

###### Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

##### (d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that

Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (f) Cash and cash equivalents

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### (g) Inventories

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

##### (ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

##### (iii) 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.

#### (h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

#### (i) Investments and other financial assets

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

##### (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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

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

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

management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

##### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (j) Fair value estimation – financial instruments

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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Buildings – specialised/non-specialised

##### Internally valued:

- Plant and equipment
- Community land
- Land improvements
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles/road making equipment	3 to 8 years
- Other plant and equipment	3 to 15 years

##### Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

##### Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

##### Stormwater assets

- 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

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

- Bridge: other	20 to 75 years
- Road pavements	60 years
- Kerb, gutter and footpaths	40 years

#### Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	100 years
- Other open space/ recreational assets	15 to 50 years
- Other infrastructure	15 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of

financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

#### (o) 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.

#### (p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

#### **(q) Employee benefits**

##### **(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### **(ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### **(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

#### **Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, 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 that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

#### **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.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (r) 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.

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

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

Council has not classified any assets as intangible.

##### (u) 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 to the reserves are recognised within Council's Income Statement.

##### (v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

##### (w) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### (x) Rounding of amounts

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

##### (y) 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.

##### (z) Disclaimer

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

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Asset Management Services	8,735	13,628	18,079	22,427	23,250	22,428	(13,692)	(9,622)	(4,349)	1,908	1,635	322,084	601,165
Beach Services, Maintenance & Safety	487	765	1,028	4,250	5,453	4,755	(3,763)	(4,688)	(3,727)	6	3	371	–
Cemetery Services	1,027	1,713	1,628	1,114	1,170	1,221	(87)	543	407	115	70	50,355	49,733
Child Care Services	7,326	7,353	7,417	7,201	7,500	7,092	125	(147)	325	3,022	3,387	6,501	6,570
Community Services	673	947	737	2,112	2,110	1,839	(1,439)	(1,163)	(1,102)	486	468	164,225	156,927
Corporate Support Services	52,101	51,594	50,155	11,108	12,374	13,599	40,993	39,220	36,556	2,867	1,701	46,467	113,712
Cultural Services	486	587	488	3,983	4,193	3,994	(3,497)	(3,606)	(3,506)	8	–	10	–
Customer Services & Communication	5	2	4	1,377	1,201	1,440	(1,372)	(1,199)	(1,436)	–	–	1,249	–
Development, Building & Health Services	13,254	12,015	9,396	11,072	10,210	10,331	2,182	1,805	(935)	–	–	11,009	7,483
Emergency Management Services	38	45	31	201	223	202	(163)	(178)	(171)	–	–	1,072	–
Environmental Services	566	511	579	2,072	2,890	2,254	(1,506)	(2,379)	(1,675)	273	334	1,026	–
Governance, Integrated Planning & Community Engagement	675	6	3	6,331	5,444	5,570	(5,656)	(5,438)	(5,567)	–	–	–	–
Library Services	190	384	241	3,946	3,708	3,560	(3,756)	(3,324)	(3,319)	331	185	40,783	41,295
Parking Services	26,349	26,664	26,832	9,950	9,308	9,099	16,399	17,356	17,733	–	–	13,951	27,858
Parks Services & Maintenance	76	104	126	7,199	9,687	6,864	(7,123)	(9,583)	(6,738)	–	–	171,690	163,471
Place Management	665	555	637	778	615	683	(113)	(60)	(46)	–	–	–	–
Recreation Services	388	359	276	508	461	511	(120)	(102)	(235)	347	270	256	–
Regulatory Services	50	221	135	1,459	1,638	1,395	(1,409)	(1,417)	(1,260)	–	–	–	–
Social & Affordable Housing	945	496	1,032	1,610	4,336	1,604	(665)	(3,840)	(572)	–	–	52,308	33,731
Traffic & Transport Services	–	–	21	16	3	10	(16)	(3)	11	–	21	43,068	–
Urban Open Space Maintenance & Accessibility	406	1,084	359	3,747	1,547	4,022	(3,341)	(463)	(3,663)	–	–	322,730	–
Waste Services	18,557	19,073	18,809	18,905	19,612	17,753	(348)	(539)	1,056	105	102	9,961	9,696
<b>Total functions and activities</b>	<b>132,999</b>	<b>138,106</b>	<b>138,013</b>	<b>121,366</b>	<b>126,933</b>	<b>120,226</b>	<b>11,633</b>	<b>11,173</b>	<b>17,787</b>	<b>9,468</b>	<b>8,176</b>	<b>1,259,116</b>	<b>1,211,641</b>

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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:**

##### **Asset Management Services**

This service includes planning for renewal of assets, financial management and project delivery of works on vital infrastructure. The Service contributes to every aspect of Council's operations, to our ability to deliver our services cost effectively and to the community's social, environmental and economic well being.

##### **Beach Services, Maintenance & Safety**

This service includes beach safety, beach maintenance and cleaning and also supports voluntary surf lifesaving clubs.

##### **Cemetery Services**

This service currently includes interment of ashes and remains at two sites, Waverley and South Head. Waverley Cemetery is a fully operational Cemetery with sales in excess of \$1million per annum.

##### **Childcare Services**

Providing quality, affordable long day care and family day care for children aged 0-5 as well as parenting programs and counselling for families.

##### **Community Services**

Council provides a range of community services within Waverley in addition to supporting a broad range of community organisations. Our services and support for other groups and agencies ensure that the community has access to relevant, accessible and affordable facilities, spaces, programs and activities.

##### **Corporate Support Services**

This service includes a range of professional support services for financial planning and management, workforce planning, organisational development and performance management, business systems improvement, risk management and insurance, procurement, telecommunications and IT and special projects to support the Executive in customer service and organisational review.

##### **Cultural Services**

Council provides and supports a range of activities that celebrate and strengthen an appreciation of our cultural heritage and diversity.

##### **Customer Services & Communication**

This area is responsible for ensuring that customer service is provided in a professional, friendly and timely way, and that our community is informed about Council's plans, initiatives, services and activities.

##### **Development, Building & Health Services**

This service involves preparing new Local Environmental Plans, Development Control Plans and Planning Strategies relating to future land use planning and heritage conservation.

It also assesses and determines development applications in accordance with the EP&A Act and provides Council with a digital mapping service.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2(b). Council functions/activities – component descriptions (continued)

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

##### **Emergency Management Services**

Waverley and Woollahra have a joint relationship in funding and supporting the local SES unit and it is a requirement under the NSW State Emergency Act.

##### **Environmental Services**

This is a growing service area covering all aspects of the aquatic, biological and air environments. Its sub-services are specifically geared to meet the requirements of our Environmental Action Plan 2 (EAP2) adopted in February 2010. EAP2 is a key element of Waverley's resourcing strategy for Waverley Together 2.

##### **Governance, Integrated Planning & Community Engagement**

This service is designed to ensure we can engage with our community in an open and responsive way, discussing and making decisions with them about their future on the basis of sound and balanced judgement and policies. It also ensures that we can be properly held to account for planning decisions and for the efficiency and effectiveness of the services we deliver.

##### **Library Services**

The Library offers information, recreation and entertainment as well as opportunities for people to train, learn or simply interact with neighbours and friends. The Library is a major education and community capacity building resource.

##### **Parking Services**

This service provides substantial community safety and amenity by ensuring that our very limited supply of public parking opportunities (limited relative to demand) is shared fairly by all. This service is more effectively delivered if its implemented in close conjunction with Environmental Services and Traffic and Transport Services.

##### **Parks Services & Maintenance**

This service maintains and cares for Council's 99 parks. The park and reserves are divided into a number of categories including regional parks, coastal reserves, small parks, pocket parks, linkages and remnant vegetation.

##### **Place Management**

Bondi Beach and Bondi Junction are important places for Waverley residents and for the wider Sydney community. They contain a world famous beach and one of Sydney's most vibrant retail precincts and play a significant role in delivering recreational and commercial experiences to the region. A Place Management approach has been adopted to allow Council to give special focus to these areas, as well as ensuring that our smaller retail villages continue thrive.

An ongoing challenge for the Place Managers is to find the right balance between the needs of visitors, residents and the business sector.

##### **Recreation Services**

This includes all aspects of sport and active leisure, from broad LGA-wide planning, through to the detailed design and construction of specific facilities. A newly emerging area is sports facilities management, programming and maintenance.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2(b). Council functions/activities – component descriptions (continued)

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

##### **Regulatory Services**

In the summer season there is an increased demand for this service due to the large influx of visitors. Core areas of focus are:

- Monitoring building sites to ensure adequate pollution control is in place
- Ensuring companion animals are effectively and responsibly managed and cared for in accordance with the Companion Animals Act and Regulation
- Providing education material and information to the public investigating reports of abandoned vehicles and removing them in accordance with Impounding Act
- The quantitative volume of noise, time, place and the frequency of the noise

##### **Social & Affordable Housing**

This service includes creating and managing secure housing for local people on very low incomes in addition to providing medium term accommodation at subsidised rents to those on low-to-middle income levels.

##### **Traffic & Transport Services**

This service helps ensure that traffic flows as smoothly, efficiently and safely in Waverley as is possible, given the very small amount of road space we have to share, relative to the very high demand of the residents and visitors who use it.

The service also functions to help provide as many alternatives as possible to private car use including planning and design of pedestrian and cycling routes, and negotiation with the community and other levels of government for improved traffic and parking distribution systems such as residential preferred parking schemes.

##### **Urban Open Space Maintenance & Accessibility**

This service maintains the roads, footpaths, drains, trees and grass along the 123.46 km of local and regional roads within Waverley Council.

##### **Waste Services**

This service provides waste and recycling collection services to 28,500 residential properties as well as a commercial collection to businesses within Waverley Council.

## Waverley Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		30,409	29,668
Business		11,444	11,546
<b>Total ordinary rates</b>		<b>41,853</b>	<b>41,214</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		15,466	14,724
Section 611 charges		56	54
<b>Total annual charges</b>		<b>15,522</b>	<b>14,778</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>57,375</b>	<b>55,992</b>

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		3,141	2,983
<b>Total user charges</b>		<b>3,141</b>	<b>2,983</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Hoarding/crane permits		1,420	2,302
Planning and building regulation		2,199	2,311
Section 149 certificates (EPA Act)		234	223
Section 603 certificates		129	116
<b>Total fees and charges – statutory/regulatory</b>		<b>3,982</b>	<b>4,952</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Admission and service fees		169	90
Bus shelter fees		1,372	1,347
Car parking fees		5,981	6,480
Car parking meter income		10,824	10,990
Cemeteries		1,511	1,487
Child care		4,271	3,999
Leaseback fees – Council vehicles		133	121
Park rents		499	407
Restoration charges		291	328
Road opening permits		106	132
Temporary truck zone permit		1,101	971
Other		849	1,127
<b>Total fees and charges – other</b>		<b>27,107</b>	<b>27,479</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>34,230</b>	<b>35,414</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		146	113
– Interest earned on investments (interest and coupon payment income)		4,152	4,068
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		183	185
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>4,481</b>	<b>4,366</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		146	113
General Council cash and investments		4,077	3,986
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		54	42
Domestic waste management operations		141	158
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		63	67
<b>Total interest and investment revenue recognised</b>		<b>4,481</b>	<b>4,366</b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	3,388	8,354
Rental income – investment properties	14	2,497	2,423
Rental income – other council properties		5,191	5,545
Ex gratia rates		23	22
Fines		206	123
Fines – parking		9,400	8,920
Legal fees recovery – rates and charges (extra charges)		–	20
Legal fees recovery – other		236	619
Insurance claim recoveries		565	311
Recycling income (non-domestic)		211	296
Sale of abandoned vehicles		1	1
Sales – general		121	68
Other		1,997	1,705
<b>TOTAL OTHER REVENUE</b>		<b>23,836</b>	<b>28,407</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,423	1,455	–	–
Financial assistance – local roads component	421	423	–	–
Pensioners' rates subsidies – general component	187	190	–	–
Other grants	340	–	–	–
<b>Total general purpose</b>	<b>3,371</b>	<b>2,068</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	105	103	–	–
Child care	3,022	3,387	–	–
Community care	486	468	–	–
Community centres	–	–	40	–
Employment and training programs	6	3	–	–
Environmental protection	271	334	–	–
Library	49	52	–	–
Library – per capita	134	133	–	–
Recreation and culture	3	–	347	350
Street lighting	181	177	–	–
Transport (roads to recovery)	464	574	–	–
Transport (other roads and bridges funding)	294	155	660	317
Other	35	55	–	–
<b>Total specific purpose</b>	<b>5,050</b>	<b>5,441</b>	<b>1,047</b>	<b>667</b>
<b>Total grants</b>	<b>8,421</b>	<b>7,509</b>	<b>1,047</b>	<b>667</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,529	5,829	337	350
– State funding	1,888	1,508	710	317
– Other funding	4	172	–	–
	<b>8,421</b>	<b>7,509</b>	<b>1,047</b>	<b>667</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	4,331	1,648
S 94A – fixed development consent levies	–	–	3,214	2,109
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>7,545</b>	<b>3,757</b>
<b>Other contributions:</b>				
Community services	423	276	–	–
Dedications (other than by S94)	–	–	–	742
Other councils – joint works/services	614	682	–	–
Paving	–	1	–	–
Recreation and culture	56	82	49	–
Other	7	8	22	–
<b>Total other contributions</b>	<b>1,100</b>	<b>1,049</b>	<b>71</b>	<b>742</b>
<b>Total contributions</b>	<b>1,100</b>	<b>1,049</b>	<b>7,616</b>	<b>4,499</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>9,521</b>	<b>8,558</b>	<b>8,663</b>	<b>5,166</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	8,172	13,247
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	8,646	608
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(4,316)	(5,683)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>4,330</b>	<b>(5,075)</b>
<b>Unexpended and held as restricted assets</b>	<b>12,502</b>	<b>8,172</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,087	(0)
– Developer contributions	10,821	7,481
– Other contributions	594	691
	<b>12,502</b>	<b>8,172</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		45,767	43,907
Travel expenses		185	193
Employee leave entitlements (ELE)		5,277	4,901
Superannuation		5,019	5,006
Workers' compensation insurance		1,989	1,751
Fringe benefit tax (FBT)		120	152
Training costs (other than salaries and wages)		332	267
Other		218	156
<b>Total employee costs</b>		<b>58,907</b>	<b>56,333</b>
Less: capitalised costs		(639)	(539)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>58,268</b>	<b>55,794</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>585</b>	<b>597</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		142	95
<b>Total interest bearing liability costs expensed</b>		<b>142</b>	<b>95</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>142</b>	<b>95</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		7,309	6,782
Contractor and consultancy costs		5,986	5,446
Contractor and consultancy costs (temporary staff)		4,452	4,372
Auditors remuneration <sup>(1)</sup>		73	56
Infringement notice contract costs (SEINS)		1,310	1,278
Legal expenses:			
– Legal expenses: planning and development		879	911
– Legal expenses: other		725	1,114
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		1,747	1,805
Other (fuel and gas)		494	490
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>22,975</b>	<b>22,254</b>
(continued on next page...)			

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
<b>1. Auditor remuneration</b>			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		73	56
<b>Remuneration for audit and other assurance services</b>		<b>73</b>	<b>56</b>
<b>Total remuneration of other Council's Auditors</b>		<b>73</b>	<b>56</b>
<b>Total Auditor remuneration</b>		<b>73</b>	<b>56</b>
<b>2. Operating lease payments are attributable to:</b>			
Buildings		721	772
Computers		837	793
Motor vehicles		189	240
		<b>1,747</b>	<b>1,805</b>
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		2,030	1,774
Office equipment		304	343
Infrastructure:			
– Buildings – non-specialised		2,911	3,181
– Buildings – specialised		3,517	3,816
– Other structures		539	203
– Roads		4,997	5,020
– Footpaths		1,432	1,363
– Stormwater drainage		1,159	1,311
– Other open space/recreational assets		2,058	1,683
Other assets			
– Library books		217	216
– Other		47	56
<b>Total depreciation and amortisation costs</b>		<b>19,211</b>	<b>18,966</b>
<b>Impairment</b>			
Nil			
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>19,211</b>	<b>18,966</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Abandonment of fines by office of state debt recovery		952	825
Advertising		431	441
Bad and doubtful debts		131	17
Bank charges		807	768
Car park levy		124	144
Cleaning		1,285	1,047
Computer software charges		1,543	1,562
Contributions/levies to other levels of government		2	554
– Department of planning levy		350	428
– Emergency services levy (includes FRNSW, SES, and RFS levies)		130	119
– NSW fire brigade levy		1,601	1,602
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		226	221
Councillors' expenses (incl. mayor) – other (excluding fees above)		137	193
Donations, contributions and assistance to other organisations (Section 356)		647	766
Electricity and heating		592	631
Family day care subsidy		766	1,032
Insurance		1,297	1,392
Land tax – crown land		555	525
Office expenses (including computer expenses)		85	163
Postage		187	259
Printing and stationery		559	576
Street lighting		1,008	1,030
Subscriptions and publications		292	242
Telephone and communications		232	310
Valuation fees		132	96
Waste disposal charges		6,695	6,776
Water rates and charges		321	327
Other		1,167	1,031
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>22,295</u></b>	<b><u>23,117</u></b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		321	338
Less: carrying amount of plant and equipment assets sold/written off		(165)	(258)
<b>Net gain/(loss) on disposal</b>		<b>156</b>	<b>80</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		5,408	30
Less: carrying amount of infrastructure assets sold/written off		(9,616)	–
<b>Net gain/(loss) on disposal</b>		<b>(4,208)</b>	<b>30</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		164,910	151,300
Less: carrying amount of financial assets sold/redeemed/matured		(164,900)	(151,300)
<b>Net gain/(loss) on disposal</b>		<b>10</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(4,042)</u></b>	<b><u>110</u></b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		10	–
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>10</b>	<b>–</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,157	–	2,603	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		6,800	–	7,356	–
– Managed funds		6,548	–	4,098	–
<b>Total cash and cash equivalents</b>		<b>14,505</b>	<b>–</b>	<b>14,057</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		100,000	14,000	99,400	–
– NCD's, FRN's (with maturities > 3 months)		29,222	–	27,717	–
<b>Total investments</b>		<b>129,222</b>	<b>14,000</b>	<b>127,117</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>143,727</b>	<b>14,000</b>	<b>141,174</b>	<b>–</b>

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

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'	<b>14,505</b>	<b>–</b>	<b>14,057</b>	<b>–</b>
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**Investments**

a. 'At fair value through the profit and loss'				
– 'Held for trading'	29,222	–	27,717	–
b. 'Held to maturity'	100,000	14,000	99,400	–
<b>Investments</b>	<b>129,222</b>	<b>14,000</b>	<b>127,117</b>	<b>–</b>

Refer to Note 23. Fair value measurement for information regarding the fair value of investments held.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	143,727	14,000	141,174	–
<b>attributable to:</b>				
External restrictions (refer below)	4,067	14,000	14,912	–
Internal restrictions (refer below)	132,690	–	121,526	–
Unrestricted	6,970	–	4,736	–
	<b>143,727</b>	<b>14,000</b>	<b>141,174</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(D)	7,481	7,599	(4,259)	10,821
Specific purpose unexpended grants	(F)	(0)	1,087	–	1,087
Domestic waste management	(G)	6,740	1,537	(2,712)	5,565
Other		691	–	(97)	594
<b>External restrictions – other</b>		<b>14,912</b>	<b>10,223</b>	<b>(7,068)</b>	<b>18,067</b>
<b>Total external restrictions</b>		<b>14,912</b>	<b>10,223</b>	<b>(7,068)</b>	<b>18,067</b>

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

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

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Waverley Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	4,296	1,452	(1,303)	4,445
Infrastructure replacement	7,792	3,479	(2,034)	9,237
Employees leave entitlement	5,151	345	–	5,496
Carry over works	5,917	2,974	(2,829)	6,062
Deposits, retentions and bonds	8,437	1,360	–	9,797
Affordable housing	1,451	218	–	1,669
Cemetery funds	2,196	445	(272)	2,369
Election	294	85	–	379
Future capital works	12,046	2,677	(2,794)	11,929
Insurance claims	200	–	–	200
Investment strategy	68,252	103	(268)	68,087
IT equipment and upgrade	253	1,682	–	1,935
Looking good	251	–	(198)	53
Parking meters	2,468	360	–	2,828
Parking – off-street	757	350	(903)	204
Social housing	578	101	–	679
Street tree (sewer) aerial building	252	–	–	252
Unexpended loans	165	–	(114)	51
Other	770	6,248	–	7,018
<b>Total internal restrictions</b>	<b>121,526</b>	<b>21,879</b>	<b>(10,715)</b>	<b>132,690</b>
<b>TOTAL RESTRICTIONS</b>	<b>136,438</b>	<b>32,102</b>	<b>(17,783)</b>	<b>150,757</b>

## Waverley Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,431	572	1,060	411
Interest and extra charges		140	93	85	117
User charges and fees		2,106	–	3,188	–
Accrued revenues					
– Interest on investments		1,481	–	819	–
– Interest on impaired investments		8	–	–	–
– Other income accruals		335	–	487	–
Government grants and subsidies		349	–	40	–
Net GST receivable		–	–	742	–
Parking fines		2,857	2,735	3,088	2,751
<b>Total</b>		<b>8,707</b>	<b>3,400</b>	<b>9,509</b>	<b>3,279</b>
<b>Less: provision for impairment</b>					
User charges and fees		(231)	–	(153)	–
Parking fines		–	(1,796)	–	(1,796)
<b>Total provision for impairment – receivables</b>		<b>(231)</b>	<b>(1,796)</b>	<b>(153)</b>	<b>(1,796)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>8,476</u></b>	<b><u>1,604</u></b>	<b><u>9,356</u></b>	<b><u>1,483</u></b>
<b>Externally restricted receivables</b>					
<b>Domestic waste management</b>		924	231	771	163
<b>Total external restrictions</b>		<b>924</b>	<b>231</b>	<b>771</b>	<b>163</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>7,552</b>	<b>1,373</b>	<b>8,585</b>	<b>1,320</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>8,476</u></b>	<b><u>1,604</u></b>	<b><u>9,356</u></b>	<b><u>1,483</u></b>

**Notes on debtors above:**

- (i) Rates and 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 and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8. Other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Other assets</b>					
Prepayments		954	–	906	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>954</u></b>	<b><u>–</u></b>	<b><u>906</u></b>	<b><u>–</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

Refer to Note 23. Fair value measurement for information regarding the fair value of other assets held.

## Waverley Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	17,064	–	17,064	6,007	512	(1,983)	–	(10,035)	(171)	–	11,394	–	11,394
Plant and equipment	18,361	10,856	7,505	2,720	540	(165)	(2,030)	–	–	–	20,313	11,743	8,570
Office equipment	10,156	8,578	1,578	21	329	–	(304)	–	–	–	10,506	8,882	1,624
<b>Land:</b>													
– Operational land	65,669	–	65,669	–	3,057	(1,490)	–	193	1,171	9,873	78,473	–	78,473
– Community land	271,231	–	271,231	–	–	–	–	–	(1,171)	5,367	275,427	–	275,427
<b>Infrastructure:</b>													
– Buildings – non-specialised	118,630	45,054	73,576	318	776	(682)	(2,911)	114	–	13,975	123,310	38,144	85,166
– Buildings – specialised	117,150	56,805	60,345	573	–	(515)	(3,517)	1,583	(2,205)	3,620	119,966	60,082	59,884
– Other structures	16,757	6,326	10,431	215	1,359	(1,597)	(539)	3,513	2,205	–	25,402	9,815	15,587
– Roads	344,808	133,056	211,752	3,411	414	(1,505)	(4,997)	1,550	–	–	348,254	137,629	210,625
– Footpaths	47,488	12,107	35,381	1,589	213	(1,066)	(1,432)	1,452	–	–	49,425	13,288	36,137
– Stormwater drainage	136,334	44,300	92,034	117	143	(65)	(1,159)	–	–	–	136,514	45,444	91,070
– Other open space/recreational assets	100,052	34,263	65,789	575	1,199	(713)	(2,058)	1,630	–	–	102,160	35,738	66,422
<b>Other assets:</b>													
– Library books	3,112	1,912	1,200	–	234	–	(217)	–	–	–	3,347	2,130	1,217
– Other	4,020	1,159	2,861	–	–	–	(47)	–	–	–	4,020	1,206	2,814
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,270,832</b>	<b>354,416</b>	<b>916,416</b>	<b>15,546</b>	<b>8,776</b>	<b>(9,781)</b>	<b>(19,211)</b>	<b>–</b>	<b>(171)</b>	<b>32,835</b>	<b>1,308,511</b>	<b>364,101</b>	<b>944,410</b>

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 23. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Waverley Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	11,351	7,291	<b>4,060</b>	9,403	6,220	<b>3,183</b>
<b>Total DWM</b>	<b>11,351</b>	<b>7,291</b>	<b>4,060</b>	<b>9,403</b>	<b>6,220</b>	<b>3,183</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>11,351</b>	<b>7,291</b>	<b>4,060</b>	<b>9,403</b>	<b>6,220</b>	<b>3,183</b>

Note 9c. Infrastructure, property, plant and equipment – current year  
impairments

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

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		6,096	–	6,929	–
Goods and services – capital expenditure		162	–	279	–
Accrued expenses:					
– Borrowings		27	–	18	–
– Salaries and wages		1,082	–	775	–
– Other expenditure accruals		892	–	540	–
Security bonds, deposits and retentions		1,022	–	858	–
ATO – net GST payable		12	–	27	–
Builders deposits		8,777	–	7,579	–
Other		106	–	67	–
<b>Total payables</b>		<b>18,176</b>	<b>–</b>	<b>17,072</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		1,288	–	1,357	–
<b>Total income received in advance</b>		<b>1,288</b>	<b>–</b>	<b>1,357</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		815	3,758	863	2,470
<b>Total borrowings</b>		<b>815</b>	<b>3,758</b>	<b>863</b>	<b>2,470</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		5,881	–	5,294	–
Sick leave		1,967	–	2,205	–
Long service leave		7,922	820	7,015	902
Gratuities		445	–	463	–
Time off in lieu		247	–	211	–
<b>Total provisions</b>		<b>16,462</b>	<b>820</b>	<b>15,188</b>	<b>902</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>36,741</b>	<b>4,578</b>	<b>34,480</b>	<b>3,372</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Domestic waste management		2,024	90	2,392	116
Liabilities relating to externally restricted assets		2,024	90	2,392	116
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>2,024</b>	<b>90</b>	<b>2,392</b>	<b>116</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>34,717</b>	<b>4,488</b>	<b>32,088</b>	<b>3,256</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>36,741</b>	<b>4,578</b>	<b>34,480</b>	<b>3,372</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	13,996	13,457
Payables – security bonds, deposits and retentions	8,801	8,291
	<u>22,797</u>	<u>21,748</u>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	5,294	3,445	(2,858)	–	–	5,881
Sick leave	2,205	–	(238)	–	–	1,967
Long service leave	7,917	1,674	(849)	–	–	8,742
Other leave	211	176	(140)	–	–	247
Gratuities	463	–	(18)	–	–	445
<b>TOTAL</b>	<b>16,090</b>	<b>5,295</b>	<b>(4,103)</b>	<b>–</b>	<b>–</b>	<b>17,282</b>

- a. Employees leave entitlements and 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.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	14,505	14,057
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>14,505</b>	<b>14,057</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>11,173</b>	<b>17,787</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		19,211	18,966
Net losses/(gains) on disposal of assets		4,042	(110)
Non-cash capital grants and contributions		–	(742)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as 'at fair value' or 'held for trading'		(183)	(185)
– Investment properties		(3,388)	(8,354)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		681	(1,768)
Increase/(decrease) in provision for doubtful debts		78	22
Decrease/(increase) in other assets		(48)	(260)
Increase/(decrease) in payables		(833)	1,016
Increase/(decrease) in accrued interest payable		9	12
Increase/(decrease) in other accrued expenses payable		659	(757)
Increase/(decrease) in other liabilities		1,317	1,404
Increase/(decrease) in employee leave entitlements		1,192	172
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>33,910</b>	<b>27,203</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		–	742
<b>Total non-cash investing and financing activities</b>		<b>–</b>	<b>742</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		250	250
Credit cards/purchase cards		25	25
<b>Total financing arrangements</b>		<b>275</b>	<b>275</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		1,029	570
Plant and equipment		2,599	156
Infrastructure		2,109	3,384
<b>Total commitments</b>		<b>5,737</b>	<b>4,110</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		5,737	4,110
<b>Total payable</b>		<b>5,737</b>	<b>4,110</b>
<b>Sources for funding of capital commitments:</b>			
Sect 64 and 94 funds/reserves		508	1,371
Unexpended grants		78	–
Externally restricted reserves		560	
Internally restricted reserves		4,555	2,691
Unexpended loans		36	48
<b>Total sources of funding</b>		<b>5,737</b>	<b>4,110</b>

**(b) Finance lease commitments**

Nil

**(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	160	253
Later than one year and not later than 5 years	81	258
<b>Total non-cancellable operating lease commitments</b>	<b>241</b>	<b>511</b>

**b. Non-cancellable operating leases include the following assets:**

Motor Vehicles - \$127k, and IT equipment - \$114k.

Contingent Rentals may be payable depending on the condition of items or usage during the term of the leases, average 4 years

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

**(d) Investment property commitments**

Nil

**(e) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,981</u>	<b>2.37%</b>	3.20%	-4.87%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>125,872</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>116,351</u>	<b>86.48%</b>	89.39%	87.50%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>134,535</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>148,166</u>	<b>12.43x</b>	11.84x	9.84x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>11,920</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>22,334</u>	<b>20.27x</b>	24.74x	9.81x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,102</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>2,236</u>	<b>3.78%</b>	2.92%	2.22%	< 5%
Rates, annual and extra charges collectible	<u>59,194</u>				Metro <10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>128,505</u>	<b>14.47 mths</b>	12.6 mths	11.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>8,883</u>				

## Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Note 10(a).

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

# Waverley Council

## Notes to the Financial Statements for the year ended 30 June 2017

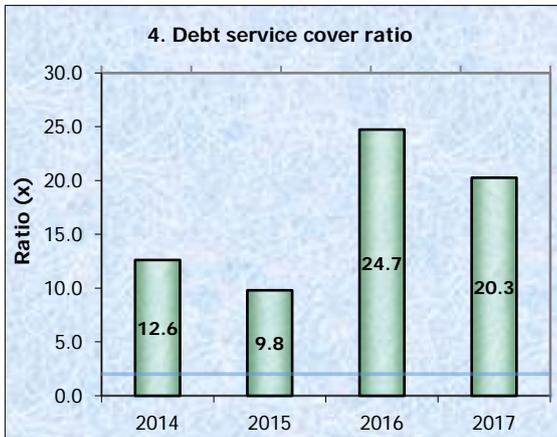
### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 2.37%</b></p> <p>The ratio compares favourably with the industry benchmark of greater than 0%</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 86.48%</b></p> <p>The ratio compares well with the industry benchmark of greater than 60%, it shows Waverley Council is less reliant on external funding sources to carry out its activities.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of unrestricted current ratio</b></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><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 12.43x</b></p> <p>This ratio indicates that Waverley Council has sufficient liquid assets on hand to meet short term obligations as they fall due and compares favourably with the industry benchmark.</p>

# Waverley Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

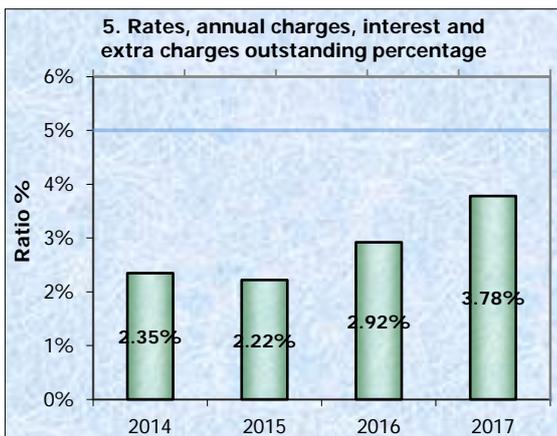
**2016/17 ratio 20.27x**

This ratio shows that Waverley Council has strong capacity to repay additional debt and provides a favourable comparison with the industry benchmark of greater than 2.0.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2016/17 result**

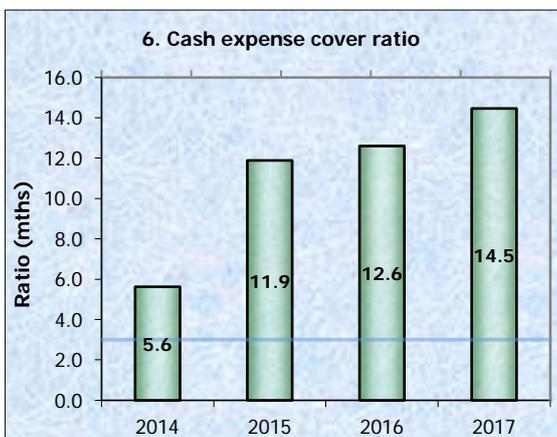
**2016/17 ratio 3.78%**

This ratio shows that Waverley Council's rates base debt control within the industry benchmark of less than 5%.

Benchmark: Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 14.47 mths**

This ratio compares favourably with the industry benchmark of greater than 3%.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>145,945</u>	<u>142,306</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		142,306	133,925
– Capitalised expenditure – this year		251	27
– Net gain/(loss) from fair value adjustments		3,388	8,354
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>145,945</u></b>	<b><u>142,306</u></b>
<b>(b) Valuation basis</b>			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
<b>(c) Contractual obligations at reporting date</b>			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
<b>(d) Leasing arrangements – Council as lessor</b>			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		2,555	2,287
Later than 1 year but less than 5 years		6,729	3,192
<b>Total minimum lease payments receivable</b>		<b><u>9,284</u></b>	<b><u>5,480</u></b>
<b>(e) Investment property income and expenditure – summary</b>			
<b>Rental income from investment properties:</b>			
– Minimum lease payments		2,497	2,423
– Other income		4,236	4,976
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(1,880)	(1,807)
– that did not generate rental income		(490)	(525)
<b>Net revenue contribution from investment properties</b>		<b><u>4,363</u></b>	<b><u>5,066</u></b>
plus:			
<b>Fair value movement for year</b>		<b><u>3,388</u></b>	<b><u>8,354</u></b>
<b>Total income attributable to investment properties</b>		<b><u>7,751</u></b>	<b><u>13,420</u></b>

Refer to Note 23. Fair value measurement for information regarding the fair value of investment properties held.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	14,505	14,057	14,505	14,057
Investments				
– 'Held for trading'	29,222	27,717	29,222	27,717
– 'Held to maturity'	114,000	99,400	114,000	99,400
Receivables	10,080	10,839	10,080	10,839
<b>Total financial assets</b>	<b>167,807</b>	<b>152,013</b>	<b>167,807</b>	<b>152,013</b>
<b>Financial liabilities</b>				
Payables	18,176	17,072	18,176	17,072
Loans/advances	4,573	3,333	4,573	3,333
<b>Total financial liabilities</b>	<b>22,749</b>	<b>20,405</b>	<b>22,749</b>	<b>20,405</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 23. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

#### (a) Market risk – price risk and interest rate risk

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
<b>2017</b>				
Possible impact of a 10% movement in market values	2,922	2,922	(2,922)	(2,922)
Possible impact of a 1% movement in interest rates	1,285	1,285	(1,285)	(1,285)
<b>2016</b>				
Possible impact of a 10% movement in market values	2,772	2,772	(2,772)	(2,772)
Possible impact of a 1% movement in interest rates	1,135	1,135	(1,135)	(1,135)

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and 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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	59%	0%	48%
Overdue	100%	41%	100%	52%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	Current	5,973	–	5,422
< 1 year overdue	0 – 30 days overdue	2,003	1,471	1,115
1 – 2 years overdue	31 – 60 days overdue	–	–	720
2 – 5 years overdue	61 – 90 days overdue	–	–	291
> 5 years overdue	> 91 days overdue	–	–	3,799
	<b>2,003</b>	<b>10,104</b>	<b>1,471</b>	<b>11,317</b>
<b>(iii) Movement in provision for impairment of receivables</b>			<b>2017</b>	<b>2016</b>
Balance at the beginning of the year			1,949	1,927
+ new provisions recognised during the year			130	35
– amounts already provided for and written off this year			(53)	(4)
– amounts provided for but recovered during the year			–	(9)
<b>Balance at the end of the year</b>			<b>2,026</b>	<b>1,949</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	1,022	17,154	–	–	–	–	–	18,176	18,176
Loans and advances	–	815	412	423	435	447	2,041	4,573	4,573
<b>Total financial liabilities</b>	<b>1,022</b>	<b>17,969</b>	<b>412</b>	<b>423</b>	<b>435</b>	<b>447</b>	<b>2,041</b>	<b>22,749</b>	<b>22,749</b>
<b>2016</b>									
Trade/other payables	8,437	8,635	–	–	–	–	–	17,072	17,072
Loans and advances	–	863	616	208	214	221	1,211	3,333	3,333
<b>Total financial liabilities</b>	<b>8,437</b>	<b>9,498</b>	<b>616</b>	<b>208</b>	<b>214</b>	<b>221</b>	<b>1,211</b>	<b>20,405</b>	<b>20,405</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	18,176	0.00%	17,072	0.00%
Loans and advances – fixed interest rate	4,573	3.03%	3,333	3.03%
	<u>22,749</u>		<u>20,405</u>	

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 20 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	57,025	57,375	350	1%	<b>F</b>
User charges and fees	35,041	34,230	(811)	(2%)	<b>U</b>
Interest and investment revenue	2,846	4,481	1,635	57%	<b>F</b>
Interest earned from cash investments has achieved higher than original anticipated largely attributed to a well-diversified investment strategy and spending on capital expense is lower than anticipated.					
Other revenues	16,709	23,836	7,127	43%	<b>F</b>
The favourable variance is largely due to number of income items were not anticipated in the original budget: \$3.4m gain from fair valuation gain from investment properties valuation; \$1.1m of compensation payment for Burke Road depot truck washbay compulsory land acquisition. \$564k of insurance and workers compensation rebates and reimbursements.					
Operating grants and contributions	7,866	9,521	1,655	21%	<b>F</b>
The higher than anticipated operational grants largely attributed to the 2017/18 financial assistance grant advanced payment at around \$1 million.					
Capital grants and contributions	12,372	8,663	(3,709)	(30%)	<b>U</b>
Grants originally estimated for number of capital projects were lower the actual in 2016/17.					
Net gains from disposal of assets	1,140	-	(1,140)	(100%)	<b>U</b>
The proceeds from plant replacement program did not fully delivered hence its associated fleet disposal was lower than originally anticipated. Plus other infrastructure assets wrote off were not anticipated in the budget.					

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>59,687</b>	<b>58,268</b>	<b>1,419</b>	2%	<b>F</b>
<b>Borrowing costs</b>	<b>351</b>	<b>142</b>	<b>209</b>	60%	<b>F</b>
Interest rate for new loan was lower than original forecasted and payment cycle was less frequent than budgeted.					
<b>Materials and contracts</b>	<b>21,177</b>	<b>22,975</b>	<b>(1,798)</b>	(8%)	<b>U</b>
<b>Depreciation and amortisation</b>	<b>19,269</b>	<b>19,211</b>	<b>58</b>	0%	<b>F</b>
<b>Other expenses</b>	<b>20,882</b>	<b>22,295</b>	<b>(1,413)</b>	(7%)	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>4,042</b>	<b>(4,042)</b>	0%	<b>U</b>
The losses from disposal of assets largely contributed to the infrastructure assets such as roads, footpath, kerbs & gutter, etc., to meet the partial write off requirements. These infrastructure assets partially wrote off as resulted from renewal/upgrades works in 2016/17 were not in the budget.					

**Budget variations relating to Council's Cash Flow Statement include:**

<b>Cash flows from operating activities</b>	<b>27,388</b>	<b>33,910</b>	<b>6,522</b>	23.8%	<b>F</b>
The actual cash inflows from operating activities is better than the original budget largely attributed to a higher income receipts.					
<b>Cash flows from investing activities</b>	<b>(22,334)</b>	<b>(34,702)</b>	<b>(12,368)</b>	55.4%	<b>U</b>
The actual cash outflows from investing activities is higher than the original budget largely due to more cash to invest on the financial market.					
<b>Cash flows from financing activities</b>	<b>(1,051)</b>	<b>1,240</b>	<b>2,291</b>	(218.0%)	<b>F</b>
The cash withdrawal of an already approved project loan of \$2.2m occurred in 2016/17, for a carried forward project from 2015/16.					

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies – under a plan	1,352	3,214	–	54	(2,146)	–	2,474	–
<b>Total S94 revenue under plans</b>	<b>1,352</b>	<b>3,214</b>	<b>–</b>	<b>54</b>	<b>(2,146)</b>	<b>–</b>	<b>2,474</b>	<b>–</b>
S93F planning agreements	6,129	4,331	–	–	(2,113)	–	8,347	–
<b>Total contributions</b>	<b>7,481</b>	<b>7,545</b>	<b>–</b>	<b>54</b>	<b>(4,259)</b>	<b>–</b>	<b>10,821</b>	<b>–</b>

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and 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) 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.

##### 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. those listed above.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities (continued)

##### (ii) S94 plans (continued)

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 Council's 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 (and subsequent land asset) from such potential acquisitions has not been possible.

##### (iv) Legal Expenses

Court's normal practice that parties bear their own under the Environmental Planning & Assessment Act (as amended). Pursuant to that act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs.

At reporting date, all known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

##### ASSETS NOT RECOGNISED:

##### (i) Affordable Housing

Under Council's Development Consent Policy 1 (DCP1) developers can if they wish for gain increased floor space ratio.

To offset the increased floor space ratio the developer makes available to council Affordable Housing for low to moderate income persons.

Council and the applicant enter into a Deed of Agreement to offer council a unit or units in either perpetuity or fixed periods of time.

These units are managed by a Community Organisation identified by Council. Affordable Housing units offered to council in perpetuity are recognised as an asset while those fixed for periods of time are not recognised in council's accounts.

##### (ii) 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.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities

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\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

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##### **Controlled entities (subsidiaries)**

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### **Joint ventures and associates**

**Note 19(b)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### **Joint operations**

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### **Unconsolidated structured entities**

**Note 19(d)**

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### **Subsidiaries, joint arrangements and associates not recognised**

**Note 19(e)**

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## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 19. Interests in other entities (continued)

\$ '000

**(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council**

Council has no interest in any controlled entities (subsidiaries).

**(b) Joint ventures and associates**

Council has no interest in any joint ventures or associates.

**(c) Joint operations****(a) Council is involved in the following joint operations (JO's)**

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2017	2016	2017	2016
Bourke Road Integrated Facility	Council main depot operation		59%	59%	50%	50%

**(b) Council assets employed in the joint operations**

	2017	2016
<b>Council's own assets employed in the operations</b>		
<b>Current assets:</b>		
Receivables	76	278
<b>Non-current assets</b>		
Property, plant and equipment	19,813	14,618
<b>Total assets – Council owned</b>	<b>19,889</b>	<b>14,896</b>
<b>Total net assets employed – Council and jointly owned</b>	<b>19,889</b>	<b>14,896</b>

**(d) Unconsolidated structured entities**

Council has no unconsolidated structured entities

**(e) Subsidiaries, joint arrangements and associates not recognised**

None.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		674,330	656,543
a. Net operating result for the year		11,173	17,787
f. Transfers between equity		902	–
<b>Balance at end of the reporting period</b>		<b>686,405</b>	<b>674,330</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		531,392	499,459
<b>Total</b>		<b>531,392</b>	<b>499,459</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		499,459	354,343
– Revaluations for the year	9(a)	32,835	145,116
– Transfer to retained earnings for asset disposals		(902)	–
<b>– Balance at end of year</b>		<b>531,392</b>	<b>499,459</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>531,392</b>	<b>499,459</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

## Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

## Waverley Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 22. Events occurring after the reporting date

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\$ '000

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Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 31/10/17.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

**(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2017</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	30/06/17	–	–	29,222	29,222
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>29,222</b>	<b>29,222</b>
<b>Investment properties</b>					
Investment properties	30/06/17	–	–	145,945	145,945
<b>Total investment properties</b>		<b>–</b>	<b>–</b>	<b>145,945</b>	<b>145,945</b>
<b>Infrastructure, property, plant and equipment</b>					
Buildings – non-specialised	30/06/17	–	85,166	–	85,166
Buildings special	30/06/17	–	–	59,884	59,884
Community land	30/06/17	–	–	275,427	275,427
Operational land	30/06/17	–	78,473	–	78,473
Footpaths	30/06/15	–	–	36,137	36,137
Roads	30/06/15	–	–	210,625	210,625
Stormwater drainage	30/06/15	–	–	91,070	91,070
Office equipment and furniture	30/06/17	–	–	1,624	1,624
Plant and equipment	30/06/17	–	8,570	–	8,570
Open space and recreation	30/06/17	–	–	66,422	66,422
Library books and resources	30/06/17	–	–	1,217	1,217
Other structures	30/06/17	–	–	15,587	15,587
Other assets	30/06/17	–	–	2,814	2,814
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>172,209</b>	<b>760,807</b>	<b>933,016</b>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments – 'Held for trading'	30/06/16	–	–	27,717	27,717
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>27,717</b>	<b>27,717</b>
<b>Investment properties</b>					
Investment properties	30/06/16	–	–	142,306	142,306
<b>Total investment properties</b>		<b>–</b>	<b>–</b>	<b>142,306</b>	<b>142,306</b>
<b>Infrastructure, property, plant and equipment</b>					
Buildings – non-specialised	30/06/13	–	–	73,576	73,576
Buildings special	30/06/13	–	–	60,345	60,345
Community land	30/06/16	–	–	271,231	271,231
Operational land	30/06/13	–	–	65,669	65,669
Footpaths	30/06/15	–	–	35,381	35,381
Roads	30/06/15	–	–	211,752	211,752
Stormwater drainage	30/06/15	–	–	92,034	92,034
Office equipment and furniture	30/06/16	–	–	1,578	1,578
Plant and equipment	30/06/16	–	7,505	–	7,505
Open space and recreation	30/06/16	–	–	65,789	65,789
Library books and resources	30/06/16	–	–	1,200	1,200
Other structures	30/06/16	–	–	10,431	10,431
Other assets	30/06/16	–	–	2,861	2,861
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>7,505</b>	<b>891,847</b>	<b>899,352</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 23. Fair value measurement (continued)

##### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced base on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period.

##### Investment properties

The valuation of Council's investment properties was undertaken at June 2017 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

Investment properties such as commercial units, commercial terraces and retail shops have been valued as market value, having regard to the "highest and best use", taking in consideration the criteria of physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation to the individual owner.

The valuation technique utilised is Level 2 inputs (observable inputs), where applicable, included:

- Current rental income
- Rent reviews
- Capitalisation rate
- Price per square metre
- Direct comparison to sales evidence
- Zoning
- Location
- Land area and configuration
- Planning controls

Other investment properties such as public car park and shopping centre office space have been valued using Cost approach with Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Operational Land

The asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at June 2017 and was performed by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 23. Fair value measurement (continued)

Operational land has been valued at market value, having regard to the “highest and best use”, after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land’s description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation input. There has been no change to the valuation process during the reporting period.

#### Community Land

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

#### Buildings – Non Specialised and Specialised

Council’s buildings are valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2017. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

#### Roads

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes “other roads” assets including Bridges, Carparks, Kerb and Gutter and Traffic facilities.

The ‘Cost Approach’ using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period

#### Footpaths

The ‘Cost Approach’ using Level 3 inputs was used to value footpaths. Valuation for the footpath was based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 23. Fair value measurement (continued)

impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit on similar could be supported from market evidence (Level 2) other inputs ) such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant and Equipment Trucks, tractors, ride on mowers, street sweepers, earthmoving equipment, buses and motor vehicles
- Office Equipment Refrigerators, electronic appliances, flat-screen monitors and computer equipment
- Furniture & Fittings Chairs, desks and display systems.

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

##### Other Open Space / Recreational Assets

Assets within this class comprise Soft Fall Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

## Waverley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 23. Fair value measurement (continued)

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##### Library Books and Resources

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

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

##### Other Structures

This asset class comprises Mall Light, Shade Structure, Flag Pole, Planter Boxes and Garden Beds.

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

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##### Other Assets

This asset class comprises trees and other miscellaneous assets.

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

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## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Financial Assets	Investment Properties	Buildings	Land	Total
<b>Opening balance – 1/7/15</b>	13,711	133,925	135,538	211,504	494,678
Purchases (GBV)	13,821	27	5,380	–	19,228
Depreciation and impairment	–	–	(6,997)	–	(6,997)
FV gains – other comprehensive income	–	–	–	125,396	125,396
FV gains – Income Statement <sup>1</sup>	185	8,354	–	–	8,539
<b>Closing balance – 30/6/16</b>	<b>27,717</b>	<b>142,306</b>	<b>133,921</b>	<b>336,900</b>	<b>640,844</b>
Transfers from/(to) another asset class	–	–	(2,205)	–	(2,205)
Purchases (GBV)	–	251	3,364	3,250	6,865
Disposals (WDV)	–	–	(1,197)	(1,490)	(2,687)
Depreciation and impairment	–	–	(6,428)	–	(6,428)
FV gains – other comprehensive income	–	3,388	17,595	15,240	36,223
<b>Closing balance – 30/6/17</b>	<b>27,717</b>	<b>145,945</b>	<b>145,050</b>	<b>353,900</b>	<b>672,612</b>

	Plant & Equipment	Infrastruc- ture	Other Assets	Total
<b>Opening balance – 1/7/15</b>	9,953	395,196	4,050	409,199
Transfers from/(to) another asset class	–	2	(2)	–
Purchases (GBV)	1,505	10,049	285	11,839
Disposals (WDV)	(258)	–	(272)	(530)
Depreciation and impairment	(2,117)	(9,580)	–	(11,697)
FV gains – other comprehensive income	–	19,720	–	19,720
<b>Closing balance – 30/6/16</b>	<b>9,083</b>	<b>415,387</b>	<b>4,061</b>	<b>428,531</b>
Transfers from/(to) another asset class	–	2,205	–	2,205
Purchases (GBV)	3,610	17,380	234	21,224
Disposals (WDV)	(165)	(4,946)	–	(5,111)
Depreciation and impairment	(2,334)	(10,185)	(264)	(12,783)
<b>Closing balance – 30/6/17</b>	<b>10,194</b>	<b>419,841</b>	<b>4,031</b>	<b>434,066</b>

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

There are no transfers identified in the table above.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

## c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>Financial assets</b>			
Investments	143,222	Advisor report	* Unit price
<b>Investment properties</b>			
Commercial Office, Retail and Carpark	145,945	Valuer report	* Estimated rental Value (rate per square metre) * Rental Yield
<b>I,PP&amp;E</b>			
Buildings	145,050	Non-Specialised Buildings: Market Value Specialised Buildings: Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Community Land	275,427	Land values obtained from the NSW Valuer- General	* Price Per square metre
Operational Land	78,473	Market Value	* Price Per square metre
Footpaths	36,137	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Roads	210,625	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Stormwater Drainage	91,070	Unit rates per m2 or length	* Gross replacement cost * Asset Condition * Remaining useful life
Plant & Equipment	8,570	Historical Cost	* Gross replacement cost * Remaining useful life

(continued on the next page...)

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 23. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

## c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Office Equipment	1,624	Historical Cost	* Gross replacement cost * Remaining useful life
Open Space & Recreation	66,422	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Library Books	1,217	Historical Cost	* Gross replacement cost * Remaining useful life
Other Structures	15,587	Depreciated replacement cost	* Gross replacement cost * Asset Condition * Remaining useful life
Other Assets	2,814	Historical Cost	* Gross replacement cost * Remaining useful life

## (5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 24. Related party disclosures

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 \$ '000
 

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**a. Key management personnel**

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	1,332
Termination benefits	17
Post-employment benefits	101
<b>Total</b>	<u><u>1,450</u></u>

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 24. Related party disclosures (continued)

\$ '000

**b. Other transactions with KMP and their related parties**

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Note	\$'000	(incl. loans and commitments) \$'000		\$'000	\$'000
Grants & Contributions provided to Waverley Action for Youth Services	1	80	—		—	—
Subsidised Property Rental from Waverley Action for Youth Services	2	11	2		—	—

- 1 Council Provides a Community Grants Program to ensure the delivery of a range of services to the local community. A KMP is a member of the management committee of one of its supported Community Organisations - Waverley Action For Youth Services.
- 2 A KMP is member of the Waverley Action For Youth Services (WAYS) management committee. WAYS rents two properties for its operation from Council and Council provides rental subsidies of \$60k annually to WAYS for the two property leases. WAYS paid the Council at \$11k of rent and utility expenses in 2016/17.

## Waverley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 25. Financial review

\$ '000

## Key financial figures of Council over the past 5 years (consolidated)

Financial performance figures	2017	2016	2015	2014	2013
<b>Inflows:</b>					
Rates and annual charges revenue	<b>57,375</b>	55,992	54,467	52,867	47,283
User charges revenue	<b>34,230</b>	35,414	32,705	31,977	28,222
Interest and investment revenue (losses)	<b>4,481</b>	4,366	2,890	2,637	2,647
Grants income – operating and capital	<b>9,468</b>	8,176	8,409	6,192	6,972
Total income from continuing operations	<b>138,106</b>	138,013	180,021	123,078	115,462
Sale proceeds from I,PP&E	<b>5,729</b>	11,796	83,149	167	10,315
New loan borrowings and advances	<b>2,200</b>	2,252	–	–	2,500
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>58,268</b>	55,794	56,269	54,229	50,682
Borrowing costs	<b>142</b>	95	153	189	194
Materials and contracts expenses	<b>22,975</b>	22,254	24,884	17,974	17,301
Total expenses from continuing operations	<b>126,933</b>	120,226	119,934	113,026	105,122
Total cash purchases of I,PP&E	<b>24,268</b>	29,570	21,553	24,093	22,819
Total loan repayments (incl. finance leases)	<b>960</b>	836	1,118	1,252	1,400
Operating surplus/(deficit) (excl. capital income)	<b>2,510</b>	12,621	53,142	187	3,538
<b>Financial position figures</b>	<b>2017</b>	<b>2016</b>	2015	2014	2013
Current assets	<b>153,157</b>	151,436	124,974	95,600	88,045
Current liabilities	<b>36,741</b>	34,480	33,306	39,860	33,714
Net current assets	<b>116,416</b>	116,956	91,668	55,740	54,331
Available working capital (Unrestricted net current assets)	<b>6,811</b>	5,769	11,296	31,295	42,001
Cash and investments – unrestricted	<b>6,970</b>	4,736	1,016	2,077	6,427
Cash and investments – internal restrictions	<b>132,690</b>	121,526	112,376	41,536	34,584
Cash and investments – total	<b>157,727</b>	141,174	130,171	57,013	51,588
Total borrowings outstanding (Loans, advances and finance leases)	<b>4,573</b>	3,333	1,917	3,035	4,287
Total value of I,PP&E (excl. land and earthworks)	<b>954,611</b>	933,932	889,023	831,810	811,780
Total accumulated depreciation	<b>364,101</b>	354,416	340,292	341,621	331,883
Indicative remaining useful life (as a % of GBV)	62%	62%	62%	59%	59%

Source: published audited financial statements of Council (current year and prior year)

## Waverley Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 26. Council information and contact details

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**Principal place of business:**

Cnr. Paul St and Bondi Rd  
Bondi Junction NSW 2022

**Contact details**

**Mailing address:**

PO Box 9  
Bondi Junction NSW 1355

**Opening hours:**

Customer Service Centre  
55 Spring Street, Bondi Junction  
Monday to Friday 8:30am to 5:00pm

**Telephone:** 02 9369 8000

**Facsimile:** 02 9387 1820

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

**Email:** [info@waverley.nsw.gov.au](mailto:info@waverley.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Cathy Henderson

**RESPONSIBLE ACCOUNTING OFFICER**

Teena Su

**PUBLIC OFFICER**

Jane Worthy

**AUDITORS**

The Audit Office of New South Wales  
Level 15, 1 Margaret St, Sydney

**Elected members**

**MAYOR**

John Wakefield

**COUNCILLORS**

Clr Angela Burrill  
Clr Dominic Wy Kanak  
Clr Elaine Keenan  
Clr George Copeland  
Clr John Wakefield  
Clr Leon Goltsman  
Clr Marjorie O'Neill  
Clr Paula Masselos  
Clr Sally Betts  
Clr Steven Lewis  
Clr Tony Kay  
Clr Will Nemesh



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Waverley Council

To the Councillors of the Waverley Council

### Opinion

I have audited the accompanying financial statements of Waverley Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 21 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

Cr John Wakefield  
Mayor  
Waverley Council  
Cnr Paul St and Bondi Road  
BONDI JUNCTION NSW 2022

Contact: Weini Liao  
Phone no: 9275 7432  
Our ref: D1728629/1804

31 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Waverley Council**

I have audited the general purpose financial statements of Waverley Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

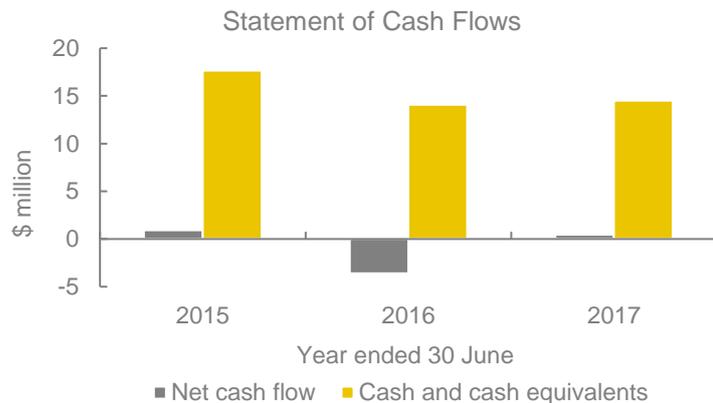
**Operating result**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	57.4	56.0	2.5 
<b>Grants and contributions revenue</b>	18.2	13.7	32.8 
<b>Operating result for the year</b>	11.2	17.8	(37.2) 
<b>Net operating result before capital amounts</b>	2.5	12.6	(80.1) 

- The operating result from continuing activities decreased by \$6.6 million or 37.2 per cent. This was mainly the result of reduced fair value gains of \$5 million on investment properties and \$4 million net loss on the disposal of infrastructure assets, respectively.
- The net operating result before capital amounts decreased by \$10.1 million or 80.1 per cent. This was primarily driven by the factors noted above in conjunction with a \$3.2 million increase in developer contributions.
- Rates and annual charges revenue increased by \$1.4 million or 2.5 per cent. This movement is mainly attributable to the general increase of 1.8 per cent.
- Grants and contributions revenue increased by \$4.5 million or 32.8 per cent. This movement was mainly due to the increased developer contribution of \$3.2 million.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$0.4 million to \$14.5 million at 30 June 2017.
- In addition to operating activities which contributed net cash inflow of \$33.9 million (2016: \$27.2 million), there were cash inflows from borrowings (\$2.2 million), the sale of assets (\$5.7 million) and the disposal of investments securities (\$164.9 million). Cash outflows from operating activities were used to acquire investment securities (\$180.8 million), repay loans (\$0.96 million) and purchase and construct assets (\$24.5 million).



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	18.0	14.9	<ul style="list-style-type: none"> <li>○ Cash and investments amounts to \$157.7 million at 30 June 2017 (2016: \$141.2 million).</li> <li>○ The increase is mainly due to \$3.3 million in unspent developer contributions and setting aside a net increase of \$11.2 million for future expenditure.</li> <li>○ Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, specific purpose grants and domestic waste charges.</li> <li>○ Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These aggregated to \$132.7 million and their purpose is fully disclosed in Note 6 of the financial statements.</li> <li>○ The Council's unrestricted cash and investments amounted to \$7.0 million, which is available to provide liquidity for day to day operations.</li> </ul>
Internal restrictions	132.7	121.5	
Unrestricted	7.0	4.8	
Cash and investments	157.7	141.2	

### Borrowings

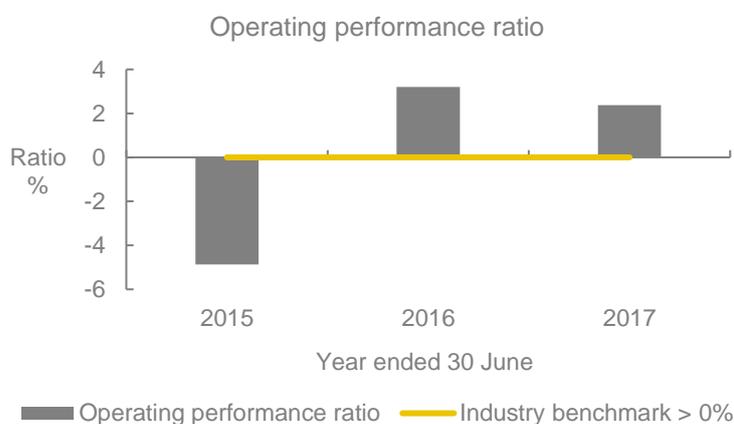
After repaying principal and interest of \$1.1 million during the financial year, total borrowing as at 30 June 2017 was \$4.6 million (2016: \$3.3 million).

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

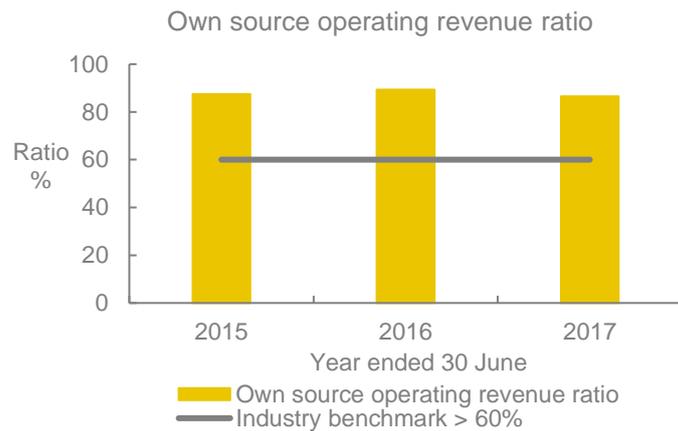
- Council's operating performance ratio of 2.4 per cent reflects a surplus in operating revenues over operating expenses and exceeded the OLG benchmark of greater than zero per cent.
- Council's operating performance ratio has remained positive in the last two years as increases in adjusted operating revenues exceeded increases in costs.



The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

### Own source operating revenue ratio

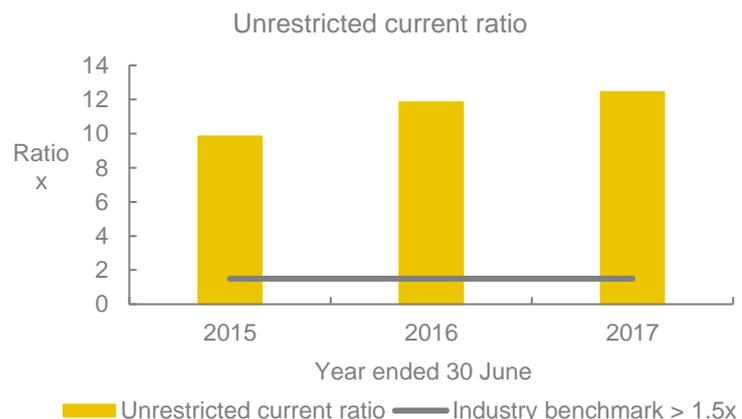
- Council's own source operating revenue ratio of 86.5 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.
- The ratio has remained relatively stable above the benchmark of 60 per cent over the last three years.



The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

### Unrestricted current ratio

- This ratio indicates that Council currently has \$12.4 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects an operating buffer for use in Council's operations and exceeded the OLG benchmark of greater than 1.5 times.
- The unrestricted current ratio excludes restricted assets held by Council, but restricted in use for a specific purpose.

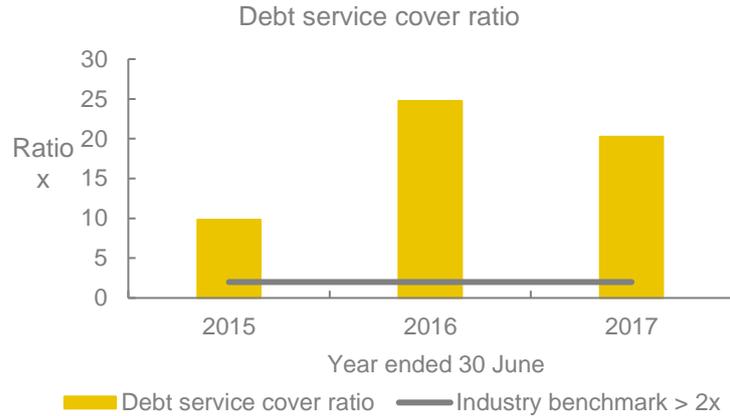


The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

## Debt service cover ratio

- Council has a debt service ratio of 20.3 times which exceeded OLG benchmark of greater than two times.
- The ratio highlights council's comparatively low level of debt and debt servicing costs.

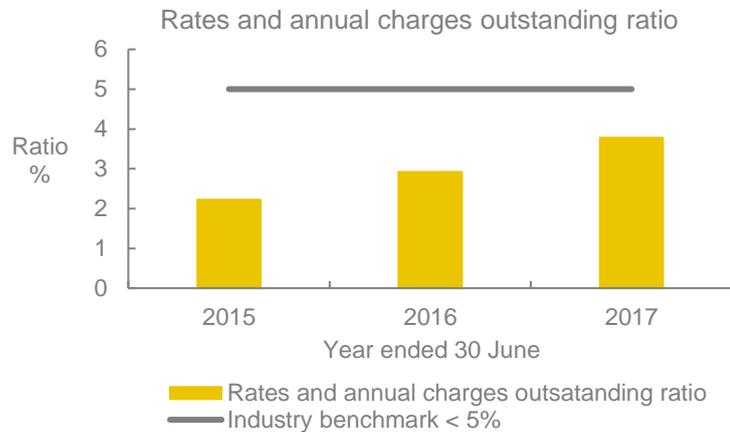
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Council's rates and annual charges outstanding ratio of 3.8 per cent exceeded the OLG benchmark of less than five per cent, despite an increase in outstanding balances from \$1.7 million to \$2.2 million.
- The ratio has trended up over the past three years.

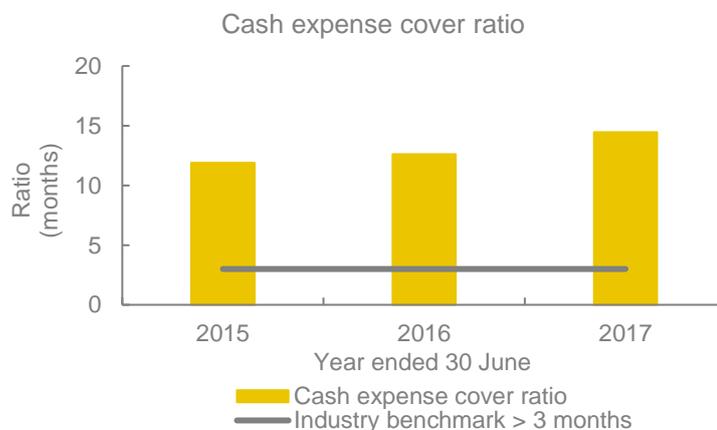
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below five per cent for metro councils.



## Cash expense cover ratio

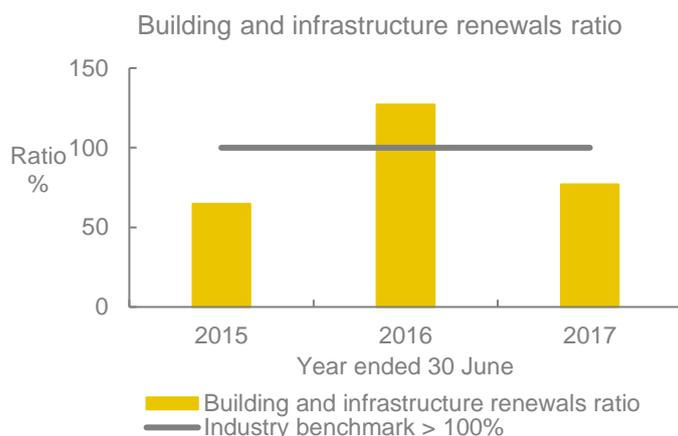
- Council's cash expense cover ratio of 14.47 months exceeded the OLG benchmark of greater than three months.
- This reflects the substantial building up of cash and investment securities made over number of years.
- Council's cash expense cover ratio has increased over the past three years, reflecting ongoing operating surpluses.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 77.1 per cent was below the OLG benchmark of greater than 100 per cent and is the result of reducing capital expenditure on existing infrastructure by \$8.3 million.
- This reflected a reduction of capital investment in asset renewals compared with last year.



The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.

## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016g

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

### Asset Revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, buildings, operational and community land were revalued. This resulted in a net increase of \$32.8 million in the Asset Revaluation Reserve.

## Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

cc: Ms Cathy Henderson, Acting General Manager  
Mr Noel Hall, Chair of the Audit Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*"We are united by a common passion for our  
beautiful home between the city and the sea."*



## Waverley Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
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<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor’s Report</b>	11

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Waverley Council

### Special Purpose Financial Statements for the year ended 30 June 2017

### 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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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 10 October 2017.

John Wakefield  
Mayor

Dominic Wy Kanak  
Deputy Mayor

Cathy Henderson  
Acting General Manager

Teena Su  
Responsible accounting officer

## Waverley Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	4,232	4,836	3,533	3,354
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	5,889	10,773	–	156
<b>Total income from continuing operations</b>	<b>10,121</b>	<b>15,609</b>	<b>3,533</b>	<b>3,510</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	516	436	207	203
Borrowing costs	–	–	–	–
Materials and contracts	960	868	78	51
Depreciation, amortisation and impairment	76	76	17	20
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	1,026	972	2,497	2,507
<b>Total expenses from continuing operations</b>	<b>2,578</b>	<b>2,352</b>	<b>2,799</b>	<b>2,781</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>7,543</b>	<b>13,257</b>	<b>734</b>	<b>729</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>7,543</b>	<b>13,257</b>	<b>734</b>	<b>729</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>7,543</b>	<b>13,257</b>	<b>734</b>	<b>729</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,263)	(3,977)	(220)	(219)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,280</b>	<b>9,280</b>	<b>514</b>	<b>510</b>
<b>Plus opening retained profits</b>	142,179	133,787	114	312
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	2,263	3,977	220	219
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(3,934)	(4,865)	(755)	(927)
<b>Closing retained profits</b>	<b>145,788</b>	<b>142,179</b>	<b>93</b>	<b>114</b>
<b>Return on capital %</b>	n/a	n/a	n/a	n/a
<b>Subsidy from Council</b>	–	–	–	–

## Waverley Council

Income Statement of Council's Other Business Activities  
for the year ended 30 June 2017

	Cemetery	
	Category 2	
\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	1,511	1,487
Fees	–	–
Interest	63	67
Grants and contributions provided for non-capital purposes	3	–
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	1	5
<b>Total income from continuing operations</b>	<b>1,578</b>	<b>1,559</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	598	635
Borrowing costs	–	–
Materials and contracts	450	441
Depreciation, amortisation and impairment	39	45
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	80	90
<b>Total expenses from continuing operations</b>	<b>1,167</b>	<b>1,211</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>411</b>	<b>348</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>411</b>	<b>348</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>411</b>	<b>348</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(123)	(104)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>288</b>	<b>244</b>
<b>Plus opening retained profits</b>	17,348	17,212
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	123	104
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	(675)	(212)
<b>Closing retained profits</b>	<b>17,084</b>	<b>17,348</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>731</b>	<b>598</b>

## Waverley Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	185	191
Inventories	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>	<b>185</b>	<b>191</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	145,945	142,306	–	–
Intangible assets	–	–	–	–
<b>Total non-current assets</b>	<b>145,945</b>	<b>142,306</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>145,945</b>	<b>142,306</b>	<b>185</b>	<b>191</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	80	50	92	77
<b>Total current liabilities</b>	<b>80</b>	<b>50</b>	<b>92</b>	<b>77</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>80</b>	<b>50</b>	<b>92</b>	<b>77</b>
<b>NET ASSETS</b>	<b>145,865</b>	<b>142,256</b>	<b>93</b>	<b>114</b>
<b>EQUITY</b>				
Retained earnings	145,788	142,179	93	114
Revaluation reserves	77	77	–	–
Other reserves	–	–	–	–
Council equity interest	<b>145,865</b>	<b>142,256</b>	<b>93</b>	<b>114</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>145,865</b>	<b>142,256</b>	<b>93</b>	<b>114</b>

## Waverley Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Cemetery

Category 2

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,369	2,196
Investments	–	–
Receivables	7	2
Inventories	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>2,376</b>	<b>2,198</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	47,980	47,536
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>47,980</b>	<b>47,536</b>
<b>TOTAL ASSETS</b>	<b>50,356</b>	<b>49,734</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	91	104
<b>Total current liabilities</b>	<b>91</b>	<b>104</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>91</b>	<b>104</b>
<b>NET ASSETS</b>	<b>50,265</b>	<b>49,630</b>
<b>EQUITY</b>		
Retained earnings	17,084	17,348
Revaluation reserves	33,181	32,282
Other reserves	–	–
Council equity interest	50,265	49,630
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>50,265</b>	<b>49,630</b>

# Waverley Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

## Waverley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for 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 and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

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

##### a. Waverley Council Property Services

*Comprising the whole of the operations and assets of the property services, commercial properties controlled by Waverley Council.*

##### b. Waverley Council Trade Waste Services

*Comprising the whole of the operations and assets of the commercial waste services which service the area of Waverley.*

*This service collects and disposes of waste collected from commercial premises.*

##### Category 2

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

##### a. Waverley & South Head Cemeteries

*Comprising the whole of the operations and assets of both the Waverley & South Head Cemeteries.*

*This business operates from offices located at Waverley Cemetery dealing with maintenance, sales and burials.*

#### Monetary amounts

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

## Waverley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

##### Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

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

##### Local government rates and 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 and 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 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 when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

## Waverley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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##### (iii) Return on investments (rate of return)

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

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

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

The rate of return 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 2.38% at 30/6/17.

##### (iv) Dividends

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Waverley Council**

To the Councillors of the Waverley Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Waverley Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Property
- Commercial Waste
- Cemetery

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 21 October 2016.

## **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

# Waverley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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*"We are united by a common passion for our  
beautiful home between the city and the sea."*



# Waverley Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

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

## Waverley Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	–	–	–	–
<b>Administration</b>	28,431	58,618	1,117	31,304
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	2,008	195	–	(1,813)
Beach control	5,358	716	–	(4,642)
Enforcement of local government regulations	1,564	179	–	(1,385)
Animal control	74	42	–	(32)
Other	5	–	–	(5)
<b>Total public order and safety</b>	<b>9,009</b>	<b>1,132</b>	<b>–</b>	<b>(7,877)</b>
<b>Health</b>	<b>922</b>	<b>431</b>	<b>–</b>	<b>(491)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,381	3	–	(1,378)
Solid waste management	18,311	19,359	–	1,048
Street cleaning	3,664	–	–	(3,664)
Drainage	1,743	–	–	(1,743)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>25,099</b>	<b>19,362</b>	<b>–</b>	<b>(5,737)</b>
<b>Community services and education</b>				
Administration and education	1,058	2	–	(1,056)
Social protection (welfare)	80	5	–	(75)
Aged persons and disabled	1,387	1,107	–	(280)
Children's services	7,801	7,379	–	(422)
<b>Total community services and education</b>	<b>10,326</b>	<b>8,493</b>	<b>–</b>	<b>(1,833)</b>
<b>Housing and community amenities</b>				
Public cemeteries	1,170	1,579	–	409
Public conveniences	265	66	–	(199)
Street lighting	1,052	184	–	(868)
Town planning	6,871	4,624	7,546	5,299
Other community amenities	175	102	–	(73)
<b>Total housing and community amenities</b>	<b>9,533</b>	<b>6,555</b>	<b>7,546</b>	<b>4,568</b>

## Waverley Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	5,274	412	–	(4,862)
Museums	–	–	–	–
Art galleries	21	–	–	(21)
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	4,710	862	–	(3,848)
Sporting grounds and venues	2,123	501	–	(1,622)
Swimming pools	95	–	–	(95)
Parks and gardens (lakes)	9,102	205	–	(8,897)
Other sport and recreation	14	43	–	29
<b>Total recreation and culture</b>	<b>21,339</b>	<b>2,023</b>	<b>–</b>	<b>(19,316)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	857	2,187	–	1,330
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>857</b>	<b>2,187</b>	<b>–</b>	<b>1,330</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	7,424	747	–	(6,677)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	9,307	26,664	–	17,357
Footpaths	3,964	1	–	(3,963)
Aerodromes	–	–	–	–
Other transport and communication	16	1,372	–	1,356
<b>Total transport and communication</b>	<b>20,711</b>	<b>28,784</b>	<b>–</b>	<b>8,073</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	706	1,858	–	1,152
<b>Total economic affairs</b>	<b>706</b>	<b>1,858</b>	<b>–</b>	<b>1,152</b>
<b>Totals – functions</b>	<b>126,933</b>	<b>129,443</b>	<b>8,663</b>	<b>11,173</b>
<b>General purpose revenues <sup>(1)</sup></b>				
Share of interests – joint ventures and associates using the equity method	–	–	–	–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>126,933</b>	<b>129,443</b>	<b>8,663</b>	<b>11,173</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Waverley Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	196	2,056	<b>2,252</b>	2,200	293	–	–	110	401	3,758	<b>4,159</b>
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	667	414	<b>1,081</b>	–	667	–	–	32	414	–	<b>414</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>863</b>	<b>2,470</b>	<b>3,333</b>	<b>2,200</b>	<b>960</b>	<b>–</b>	<b>–</b>	<b>142</b>	<b>815</b>	<b>3,758</b>	<b>4,573</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>863</b>	<b>2,470</b>	<b>3,333</b>	<b>2,200</b>	<b>960</b>	<b>–</b>	<b>–</b>	<b>142</b>	<b>815</b>	<b>3,758</b>	<b>4,573</b>

Notes: excludes (i) internal loans and (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).

## Waverley Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]  
for the year ended 30 June 2017

\$'000

## Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	4,486	439	2,529
Domestic waste management			
Gas			
Other			
<b>Totals</b>	<b>4,486</b>	<b>439</b>	<b>2,529</b>

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

## Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General	Domestic	12/01/11	30/11/10	10	30/06/20	4.83%	817	87	227
	Waste	12/01/11	30/11/11	10	30/06/21	4.88%	677	69	310
	Management	12/01/11	30/11/12	10	30/06/22	3.22%	666	65	360
		12/01/11	30/11/13	10	30/06/23	2.94%	655	62	416
		12/01/11	30/11/14	10	30/06/24	2.77%	1,671	156	1,216
<b>Totals</b>						<b>4,486</b>	<b>439</b>	<b>2,529</b>	

## Waverley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices/ Administration Centres	–	–	479	463	12,999	24,293	0%	28%	69%	3%	0%
	Council Works Depot	–	–	665	689	9,623	10,884	99%	0%	1%	0%	0%
	Council Public Halls	682	682	58	38	25,784	66,217	26%	0%	70%	4%	0%
	Libraries	–	–	545	384	24,016	36,207	0%	100%	0%	0%	0%
	Cultural Facilities	–	–	639	710	14,331	21,086	82%	0%	17%	1%	0%
	Other Buildings	120	120	2,492	2,465	53,162	77,799	11%	64%	23%	2%	0%
	Specialised Buildings	500	500	735	525	5,135	6,790	82%	7%	11%	0%	0%
	<b>Sub-total</b>	<b>1,302</b>	<b>1,302</b>	<b>5,613</b>	<b>5,274</b>	<b>145,050</b>	<b>243,276</b>	<b>24.4%</b>	<b>38.3%</b>	<b>35.1%</b>	<b>2.1%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	217	162	15,587	25,402	55%	19%	19%	7%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>217</b>	<b>162</b>	<b>15,587</b>	<b>25,402</b>	<b>55.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>7.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	245	245	1,866	1,593	56,999	80,649	37%	54%	7%	2%	0%
	Sealed roads structure	–	–	–	–	69,801	144,596	0%	0%	100%	0%	0%
	Footpaths	111	111	2,385	2,355	36,137	49,425	52%	33%	15%	0%	0%
	Other road assets	–	–	2,084	1,723	16,559	26,284	44%	44%	11%	1%	0%
	Kerb and Gutter	1,227	1,227	12	53	67,266	96,725	50%	34%	13%	3%	0%
	<b>Sub-total</b>	<b>1,583</b>	<b>1,583</b>	<b>6,347</b>	<b>5,724</b>	<b>246,762</b>	<b>397,679</b>	<b>29.0%</b>	<b>26.2%</b>	<b>43.5%</b>	<b>1.2%</b>	<b>0.0%</b>

## Waverley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	170	170	44	54	73,771	111,951	12%	71%	17%	0%	0%
	Stormwater Conduits	–	–	194	238	17,299	24,563	22%	75%	3%	0%	0%
	<b>Sub-total</b>	<b>170</b>	<b>170</b>	<b>238</b>	<b>292</b>	<b>91,070</b>	<b>136,514</b>	<b>13.8%</b>	<b>71.7%</b>	<b>14.5%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Other open space/recreational assets	3,157	3,157	4,701	5,363	66,422	102,160	34%	41%	22%	3%	0%
	<b>Sub-total</b>	<b>3,157</b>	<b>3,157</b>	<b>4,701</b>	<b>5,363</b>	<b>66,422</b>	<b>102,160</b>	<b>34.0%</b>	<b>41.0%</b>	<b>22.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>6,212</b>	<b>6,212</b>	<b>17,116</b>	<b>16,815</b>	<b>564,891</b>	<b>905,031</b>	<b>26.8%</b>	<b>37.8%</b>	<b>33.8%</b>	<b>1.6%</b>	<b>0.0%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Waverley Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>12,805</u>	<b>77.08%</b>	>= 100%	127.22%	64.80%
Depreciation, amortisation and impairment	<u>16,613</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>6,212</u>	<b>1.10%</b>	< 2.00%	1.39%	1.53%
Net carrying amount of infrastructure assets	<u>564,891</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>16,815</u>	<b>0.98</b>	> 1.00	1.04	0.90
Required asset maintenance	<u>17,116</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>6,212</u>	<b>0.69%</b>		0.87%	0.95%
Gross replacement cost	<u>905,031</u>				

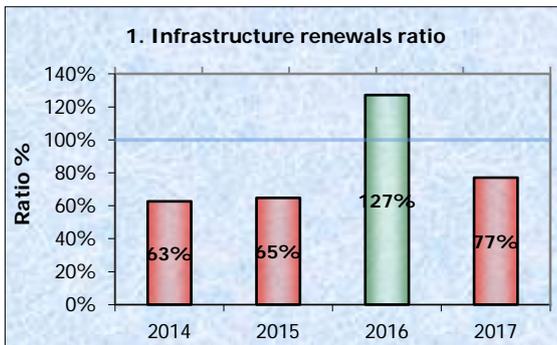
## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/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.

# Waverley Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



**Purpose of asset renewals ratio**

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

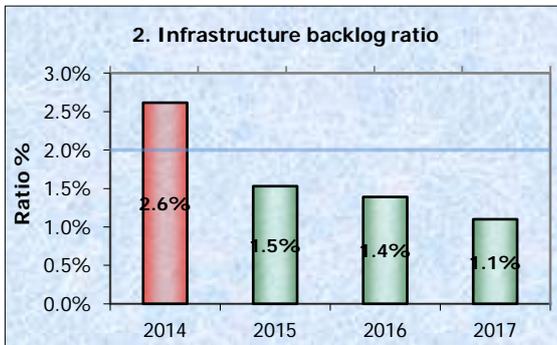
**Commentary on 2016/17 result**

**2016/17 Ratio 77.08%**

Waverley Council's infrastructure asset upgrades and renewals are carried out as per its Strategic Asset Management Plan (SAMP) and ensure sufficient spending to bring up its assets to the community satisfactory level.

Benchmark: 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2016/17 result**

**2016/17 Ratio 1.10%**

This ratio shows that Waverley Council has a small proportion of infrastructure backlog and compares favourably with the industry benchmark of less than 2%.

Benchmark: 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

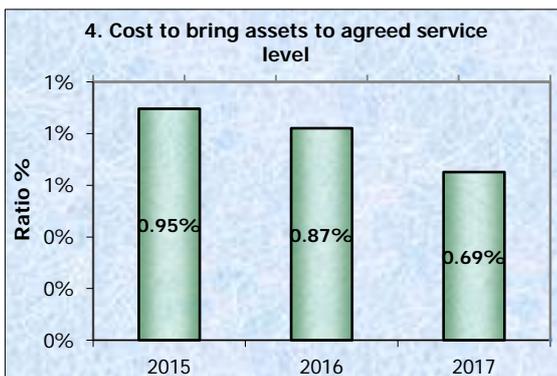
**Commentary on 2016/17 result**

**2016/17 Ratio 0.98 x**

This ratio indicates Waverley Council's spending on asset maintenance is sufficient to stop the infrastructure backlog growing.

Benchmark: 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2016/17 result**

**2016/17 Ratio 0.69%**

This ratio shows that Waverley Council has a small proportion of outstanding infrastructure upgrade/renewal works as compared to the total value of its assets.

## Waverley Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	42,315	42,980
Plus or minus adjustments <sup>(2)</sup>	b	(34)	226
<b>Notional general income</b>	c = (a + b)	<b>42,281</b>	<b>43,206</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	761	648
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>43,042</b>	<b>43,854</b>
Plus (or minus) last year's carry forward total	l	(24)	38
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>(24)</b>	<b>38</b>
<b>Total permissible income</b>	o = k + n	<b>43,018</b>	<b>43,892</b>
Less notional general income yield	p	42,980	43,975
<b>Catch-up or (excess) result</b>	q = o – p	<b>38</b>	<b>(83)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	83
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>38</b>	<b>–</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Waverley Council

To the Councillors of Waverley Council

#### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Waverley Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Waverley Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 21 October 2016.

## Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY



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