

Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*"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 financial year ended 30 June 2011

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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 (LGA) 1993 of NSW.

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

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

(iv) These financial statements were authorised for issue by the Council on 21/09/11. Council has the power to amend and reissue the financial statements.

Waverley Council

General Purpose Financial Statements for the financial year ended 30 June 2011

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

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

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

More information...

Further information can be found in Note 27 of the Financial Statements on Council's financial performance and position for the 10/11 financial year.

Waverley Council

General Purpose Financial Statements
for the financial year ended 30 June 2011

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

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

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

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

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

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

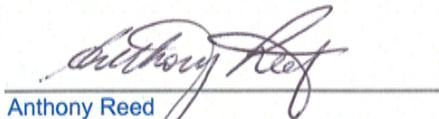
Signed in accordance with a resolution of Council made on 20 September 2011.



Clr Sally Betts
MAYOR



COUNCILLOR



Anthony Reed
GENERAL MANAGER



Michael Mamo
RESPONSIBLE ACCOUNTING OFFICER

Waverley Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾ 2011	\$ '000	Notes	Actual 2011	Actual 2010
Income from Continuing Operations				
Revenue:				
38,760	Rates & Annual Charges	3a	38,673	36,737
23,993	User Charges & Fees	3b	24,610	23,657
2,100	Interest & Investment Revenue	3c	3,016	2,274
17,185	Other Revenues	3d	16,418	20,264
5,641	Grants & Contributions provided for Operating Purposes	3e,f	5,979	5,502
4,737	Grants & Contributions provided for Capital Purposes	3e,f	4,923	3,996
Other Income:				
149	Net gains from the disposal of assets	5	238	7
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
92,565	Total Income from Continuing Operations		93,857	92,437
Expenses from Continuing Operations				
50,018	Employee Benefits & On-Costs	4a	47,966	46,949
317	Borrowing Costs	4b	327	401
17,333	Materials & Contracts	4c	18,502	19,188
12,000	Depreciation & Amortisation	4d	15,837	10,963
-	Impairment	4d	-	-
14,585	Other Expenses	4e	15,999	14,041
94,253	Total Expenses from Continuing Operations		98,631	91,542
(1,688)	Operating Result from Continuing Operations		(4,774)	895
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,688)	Net Operating Result for the Year		(4,774)	895
(1,688)	Net Operating Result attributable to Council		(4,774)	895
-	Net Operating Result attributable to Minority Interests		-	-
(6,425)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(9,697)	(3,101)

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

Waverley Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		(4,774)	895
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	5,214	130,470
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	312
Total Other Comprehensive Income for the year		5,214	130,782
Total Comprehensive Income for the Year		440	131,677
Total Comprehensive Income attributable to Council		440	131,677
Total Comprehensive Income attributable to Minority Interests		-	-

Waverley Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	8,842	12,534	15,131
Investments	6b	25,000	22,887	19,456
Receivables	7	6,861	6,504	6,328
Inventories	8	160	164	176
Other	8	700	526	659
Non-current assets classified as 'held for sale'	22	-	-	1,115
Total Current Assets		41,563	42,615	42,865
Non-Current Assets				
Investments	6b	11,514	12,799	13,599
Receivables	7	3,202	2,666	2,137
Infrastructure, Property, Plant & Equipment	9	637,970	633,792	1,038,918
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	114,827	115,639	112,356
Intangible Assets	25	-	-	-
Non-current assets classified as 'held for sale'	22	44,955	44,955	44,955
Total Non-Current Assets		812,468	809,851	1,211,965
TOTAL ASSETS		854,031	852,466	1,254,830
LIABILITIES				
Current Liabilities				
Payables	10	10,770	9,517	9,290
Borrowings	10	1,185	1,346	1,376
Provisions	10	20,456	19,250	17,884
Total Current Liabilities		32,411	30,113	28,550
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	3,187	4,371	5,718
Provisions	10	655	644	575
Total Non-Current Liabilities		3,842	5,015	6,293
TOTAL LIABILITIES		36,253	35,128	34,843
Net Assets		817,778	817,338	1,219,987
EQUITY				
Retained Earnings	20	571,953	576,727	1,110,158
Revaluation Reserves	20	245,825	240,611	109,829
Council Equity Interest		817,778	817,338	1,219,987
Minority Equity Interest		-	-	-
Total Equity		817,778	817,338	1,219,987

Waverley Council

Statement of Changes in Equity

for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,111,053	240,611	1,351,664	-	1,351,664
a. Correction of Prior Period Errors	20 (c)	7,227	-	7,227	-	7,227
b. Changes in Accounting Policies (prior year effects)	20 (d)	(541,553)	-	(541,553)	-	(541,553)
Revised Opening Balance (as at 1/7/10)		576,727	240,611	817,338	-	817,338
c. Net Operating Result for the Year		(4,774)	-	(4,774)	-	(4,774)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	5,214	5,214	-	5,214
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	5,214	5,214	-	5,214
Total Comprehensive Income (c&d)		(4,774)	5,214	440	-	440
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		571,953	245,825	817,778	-	817,778

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		1,110,913	109,829	1,220,742	-	1,220,742
a. Correction of Prior Period Errors	20 (c)	6,472	-	6,472	-	6,472
b. Changes in Accounting Policies (prior year effects)	20 (d)	(541,553)	-	(541,553)	-	(541,553)
Revised Opening Balance (as at 1/7/09)		575,832	109,829	685,661	-	685,661
c. Net Operating Result for the Year		895	-	895	-	895
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	130,470	130,470	-	130,470
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	312	-	312	-	312
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		312	130,470	130,782	-	130,782
Total Comprehensive Income (c&d)		1,207	130,470	131,677	-	131,677
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		(312)	312	-	-	-
Equity - Balance at end of the reporting period		576,727	240,611	817,338	-	817,338

Waverley Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
38,853	Rates & Annual Charges		38,766	36,713
26,134	User Charges & Fees		26,751	25,431
2,100	Investment & Interest Revenue Received		2,352	2,157
11,817	Grants & Contributions		10,137	10,274
-	Bonds & Deposits Received		2,291	-
19,894	Other		16,836	16,753
Payments:				
(44,823)	Employee Benefits & On-Costs		(46,875)	(46,480)
(19,403)	Materials & Contracts		(19,480)	(20,453)
(356)	Borrowing Costs		(346)	(421)
-	Bonds & Deposits Refunded		(1,604)	-
(20,988)	Other		(16,847)	(13,938)
13,228	Net Cash provided (or used in) Operating Activities	11b	11,981	10,036
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		28,520	19,500
149	Sale of Infrastructure, Property, Plant & Equipment		94	1,783
Payments:				
-	Purchase of Investment Securities		(29,000)	(22,000)
-	Purchase of Investment Property		(38)	-
(16,648)	Purchase of Infrastructure, Property, Plant & Equipment		(13,904)	(10,529)
-	Deferred Debtors & Advances Made		-	(10)
(16,499)	Net Cash provided (or used in) Investing Activities		(14,328)	(11,256)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(1,346)	Repayment of Borrowings & Advances		(1,345)	(1,377)
(1,346)	Net Cash Flow provided (used in) Financing Activities		(1,345)	(1,377)
(4,617)	Net Increase/(Decrease) in Cash & Cash Equivalents		(3,692)	(2,597)
12,534	plus: Cash & Cash Equivalents - beginning of year	11a	12,534	15,131
7,917	Cash & Cash Equivalents - end of the year	11a	8,842	12,534
Additional Information:				
	plus: Investments on hand - end of year	6b	36,514	35,686
Total Cash, Cash Equivalents & Investments			45,356	48,220

Please refer to Note 11 for more information.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

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

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and **(ii)** all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

has the positive intention and ability to hold to maturity.

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Impairment

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

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

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(iii) Types of Investments

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

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its

representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (Internal Valuation)
- **Other Assets** (Internal Valuation)

Initial Recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow

to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

Capitalisation Thresholds

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

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Plant & Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$20,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$50,000

Other Structures	> \$20,000
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Stormwater Assets

Drains & Culverts	> \$20,000
Other	> \$20,000

Transport Assets

Road construction & reconstruction	> \$20,000
Reseal/Re-sheet & major repairs:	> \$20,000

Bridge construction & reconstruction	> \$20,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles & Road Making equip.	5 to 8 years
- Other plant and equipment	5 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 Drainage

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

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	20 to 75 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(l) Land under roads

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

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

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

(m) Intangible Assets

IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

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

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

(n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs

incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

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

(o) Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2011.

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

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

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

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

Costs are estimated on the basis of a closure plan.

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

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

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

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(r) Impairment of assets

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

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

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

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

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

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

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

Borrowing costs are expensed.

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.

(v) Provisions

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

- Council has a present legal or constructive obligation as a result of past events;

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at

the rates paid or payable, and accordingly no Liability has been recognised in these reports.

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2011 was \$2,281,459. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2011 a deficit still exists. Effective from 1 July 2009, employers were required to contribute twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$3,340,736 as at 30 June 2011.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual

arrangement where assets and liabilities are pooled together for all member councils.

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

(x) Self insurance

Council does not self insure.

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

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Applicable to Local Government but no implications for Council;

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

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian

Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(ab) Rounding of amounts

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

(ac) 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.

(ad) Disclaimer

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

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Asset Management Services	6,338	6,671	9,953	16,915	20,192	14,507	(10,577)	(13,521)	(4,554)	2,006	1,561	623,574	615,946
Beach Services, Maintenance & Safety	430	604	396	2,883	2,861	2,867	(2,453)	(2,257)	(2,471)	3	3	141	49
Cemetery Services	1,158	1,321	1,437	1,103	1,183	1,111	55	138	326	-	-	23,858	23,904
Child Care Services	4,756	3,850	3,618	4,047	4,205	4,110	709	(355)	(492)	1,427	1,217	4,151	3,467
Community Services	682	781	735	1,597	1,851	1,708	(915)	(1,070)	(973)	644	599	29,832	32,493
Corporate Support Services	32,050	32,985	31,311	9,722	8,988	10,805	22,328	23,997	20,506	1,930	1,803	8,777	7,868
Cultural Services	-	490	414	2,036	2,929	2,870	(2,036)	(2,439)	(2,456)	82	37	34	37
Customer Services & Communication	15	22	18	1,263	1,230	1,124	(1,248)	(1,208)	(1,106)	-	-	-	-
Development, Building & Health Services	3,902	4,778	4,628	7,295	7,993	7,893	(3,393)	(3,215)	(3,265)	17	20	8,078	7,758
Emergency Management Services	-	42	39	6	89	112	(6)	(47)	(73)	-	-	25	10
Environmental Services	1,040	1,084	1,030	1,348	1,480	1,354	(308)	(396)	(324)	40	1	486	417
Governance, Integrated Planning & Community Engagement	42	70	43	4,022	4,218	3,885	(3,980)	(4,148)	(3,842)	-	-	-	-
Library Services	425	523	467	4,388	4,310	4,136	(3,963)	(3,787)	(3,669)	206	189	18,621	19,508
Parking Services	24,399	22,623	22,759	10,022	9,493	9,511	14,377	13,130	13,248	8	25	11,083	11,231
Parks Services & Maintenance	136	224	(296)	5,312	6,176	5,956	(5,176)	(5,952)	(6,252)	64	140	96,078	99,445
Place Management	833	959	827	1,360	1,157	1,303	(527)	(198)	(476)	21	24	-	-

Continued next page

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Recreation Services	422	258	105	1,405	686	751	(983)	(428)	(646)	197	58	73	891
Regulatory Services	1,320	1,789	1,352	1,181	1,414	1,384	139	375	(32)	-	5	-	-
Social & Affordable Housing	686	685	882	733	836	888	(47)	(151)	(6)	-	-	16,794	16,339
Traffic & Transport Services	-	-	-	394	161	178	(394)	(161)	(178)	-	-	969	905
Urban Open Space Maintenance & Accessibility	-	129	229	5,799	3,444	3,179	(5,799)	(3,315)	(2,950)	126	181	252	252
Waste Services	13,931	13,969	12,490	11,422	13,735	11,910	2,509	234	580	467	375	11,205	11,946
Total Functions & Activities	92,565	93,857	92,437	94,253	98,631	91,542	(1,688)	(4,774)	895	7,238	6,238	854,031	852,466
Operating Result from Continuing Operations	92,565	93,857	92,437	94,253	98,631	91,542	(1,688)	(4,774)	895	7,238	6,238	854,031	852,466

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

Waverley Council runs a very wide array of services - 22 services and 148 different sub-services. A brief summary of the services which are reported in Note 2(a) are detailed below:

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 \$1 million 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 financial year ended 30 June 2011

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

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 financial year ended 30 June 2011

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

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 financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		19,163	18,622
Business		7,425	7,126
Total Ordinary Rates		26,588	25,748
Special Rates			
Environmental		945	921
Total Special Rates		945	921
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		11,103	10,032
Section 611 Charges		37	36
Total Annual Charges		11,140	10,068
TOTAL RATES & ANNUAL CHARGES		38,673	36,737

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,908	1,754
Total User Charges		1,908	1,754
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Hoarding/Crane Permits		927	591
Planning & Building Regulation		1,627	1,545
Section 149 Certificates (EPA Act)		206	212
Section 603 Certificates		102	112
Total Fees & Charges - Statutory/Regulatory		2,862	2,460
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Admission & Service Fees		139	136
Bus Shelter Fees		1,163	1,132
Car Parking Fees		5,522	5,556
Car Parking Meter Income		6,800	6,575
Cemeteries		1,208	1,366
Child Care		2,463	2,381
Leaseback Fees - Council Vehicles		134	128
Park Rents		915	753
Restoration Charges		383	576
Road Opening Permits		160	60
Temporary Truck Zone Permit		396	260
Other		557	520
Total Fees & Charges - Other		19,840	19,443
TOTAL USER CHARGES & FEES		24,610	23,657

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		79	81
- Interest earned on Investments (interest & coupon payment income)		2,838	2,106
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		99	87
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,016</u>	<u>2,274</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		79	81
General Council Cash & Investments		2,318	1,803
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		106	87
Domestic Waste Management operations		390	258
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		123	45
<u>Total Interest & Investment Revenue Recognised</u>		<u>3,016</u>	<u>2,274</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	3,283
Rental Income - Investment Properties	14	2,033	1,911
Rental Income - Other Council Properties		3,264	3,338
Ex Gratia Rates		17	15
Fines		232	167
Parking Fines		10,043	10,379
Legal Fees Recovery - Rates & Charges (Extra Charges)		47	34
Legal Fees Recovery - Other		22	234
Insurance Claim Recoveries		123	163
Recycling Income (non domestic)		277	253
Sale of Abandoned Vehicles		4	22
Sales - General		8	9
Other		348	456
<u>TOTAL OTHER REVENUE</u>		<u>16,418</u>	<u>20,264</u>

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,626	1,581	-	-
Financial Assistance - Local Roads Component	397	369	-	-
Pensioners' Rates Subsidies - General Component	198	207	-	-
Total General Purpose	2,221	2,157	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	127	122	-	-
Aged Care	4	-	-	-
Child Care	1,427	1,217	-	660
Community Care	644	599	-	-
Employment & Training Programs	17	52	-	-
Environmental Protection	379	254	64	-
Library	80	65	-	-
Library - per capita	126	124	-	-
Recreation & Culture	75	61	1,251	198
Street Lighting	164	160	-	-
Transport (Roads to Recovery)	-	-	193	205
Transport (Other Roads & Bridges Funding)	-	-	449	344
Other	17	20	-	-
Total Specific Purpose	3,060	2,674	1,957	1,407
Total Grants	5,281	4,831	1,957	1,407
Grant Revenue is attributable to:				
- Commonwealth Funding	2,833	2,680	1,768	1,339
- State Funding	2,293	1,986	189	68
- Other Funding	155	165	-	-
	5,281	4,831	1,957	1,407

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	-	-	790	324
S 94 - Contributions towards amenities/services	-	-	-	124
S 94A - Fixed Development Consent Levies	-	-	2,007	2,071
Total Developer Contributions	17	-	2,797	2,519
Other Contributions:				
Car Parking	207	207	-	-
Drainage	11	12	-	-
Other Councils - Joint Works/Services	359	334	-	-
Paving	-	6	-	-
Roads & Bridges	11	6	33	70
Other	110	106	136	-
Total Other Contributions	698	671	169	70
Total Contributions	698	671	2,966	2,589
TOTAL GRANTS & CONTRIBUTIONS	5,979	5,502	4,923	3,996

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	4,028	4,141
add: Grants and contributions recognised in the current period which have not been spent:	650	1,661
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,290)	(1,774)
Net Increase (Decrease) in Restricted Assets during the Reporting Period	(1,640)	(113)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	2,388	4,028
Comprising:		
- Specific Purpose Unexpended Grants	511	1,774
- Developer Contributions	1,695	2,062
- Other Contributions	182	192
	2,388	4,028

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		34,683	33,397
Travelling		101	106
Employee Leave Entitlements (ELE)		5,977	5,936
Superannuation		4,756	4,437
Workers' Compensation Insurance		2,489	3,053
Fringe Benefit Tax (FBT)		261	184
Training Costs (other than Salaries & Wages)		275	308
Other		53	48
Total Employee Costs		48,595	47,469
less: Capitalised Costs		(629)	(520)
TOTAL EMPLOYEE COSTS EXPENSED		47,966	46,949
Number of "Equivalent Full Time" Employees at year end		557	561
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		2	1
Interest on Loans		315	399
Interest on Building Deposits		7	1
Other Debts		3	-
Total Interest Bearing Liability Costs		327	401
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		327	401
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		327	401

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		12,322	14,204
Contractor & Consultancy Costs		16,034	10,802
Auditors Remuneration			
- Audit Services: Council's Auditor		50	48
Legal Expenses:			
- Legal Expenses: Planning & Development		717	877
- Legal Expenses: Other		995	890
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		1,593	1,676
Total Materials & Contracts		31,711	28,497
less: Capitalised Costs		(13,209)	(9,309)
TOTAL MATERIALS & CONTRACTS		18,502	19,188
1. Operating Lease Payments are attributable to:			
- Buildings		283	288
- Computers		434	531
- Motor Vehicles		876	857
		1,593	1,676

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,271	1,244
Office Equipment		-	-	413	420
Buildings - Non Specialised		-	-	2,167	2,166
Buildings - Specialised		-	-	2,803	2,772
Other Structures		-	-	745	507
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,995	2,859
- Stormwater Drainage		-	-	1,108	641
Other Assets					
- Library Books		-	-	208	215
- Other		-	-	127	139
Total Depreciation & Impairment Costs		-	-	15,837	10,963
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	15,837	10,963

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		697	720
Abandonment of Fines by Office of State Debt Recovery		1,090	1,025
Bank Charges		311	277
Car Park Levy		155	130
Contributions/Levies to Other Levels of Government		76	23
- NSW Fire Brigade Levy		1,426	1,214
- Department of Planning Levy		261	210
- Emergency Services Levy		61	53
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		189	186
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		121	117
Donations, Contributions & Assistance to other organisations (Section 356)		514	520
Electricity & Heating		784	775
Family Day Care Subsidy		438	432
Insurance		1,429	1,287
Land Tax - Crown Land		336	443
Revaluation Decrements (Fair Valuation of Investment Properties)	14	850	-
Street Lighting		985	843
Subscriptions & Publications		234	196
Telephone & Communications		235	296
Waste Disposal Charges		4,345	3,760
Water Rates & Charges		304	334
Other		1,278	1,194
Total Other Expenses		16,154	14,069
less: Capitalised Costs		(155)	(28)
<u>TOTAL OTHER EXPENSES</u>		<u>15,999</u>	<u>14,041</u>

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold / Written Off		(58)	-
Net Gain/(Loss) on Disposal		(58)	-
Plant & Equipment			
Proceeds from Disposal		94	610
less: Carrying Amount of P&E Assets Sold		(47)	(93)
Net Gain/(Loss) on Disposal		47	517
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(612)
Net Gain/(Loss) on Disposal		-	(612)
Financial Assets*			
Proceeds from Disposal / Redemptions		28,520	19,500
less: Carrying Amount of Financial Assets Sold / Redeemed		(28,271)	(19,456)
Net Gain/(Loss) on Disposal		249	44
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		-	1,173
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		-	(1,115)
Net Gain/(Loss) on Disposal		-	58
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		238	7
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		249	44
Net Gain/(Loss) on Disposal of Financial Instruments		249	44

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,325	-	2,369	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,017	-	6,165	-
- Short Term Deposits		3,500	-	4,000	-
Total Cash & Cash Equivalents		8,842	-	12,534	-
Investment Securities (Note 6b)					
- Long Term Deposits		24,000	9,000	18,000	4,000
- Growth Securities		-	2,514	933	4,799
- NCD's, FRN's (with Maturities > 3 months)		1,000	-	3,954	4,000
Total Investment Securities		25,000	11,514	22,887	12,799
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		33,842	11,514	35,421	12,799

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	8,842	-	12,534	-
--	--------------	----------	---------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	2,514	933	4,799
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	25,000	9,000	21,954	8,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		25,000	11,514	22,887	12,799

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	933	4,799	956	5,645
Revaluations (through the Income Statement)	-	99	-	87
Disposals (sales & redemptions)	(933)	(2,384)	(956)	-
Transfers between Current/Non Current	-	-	933	(933)
Balance at End of Year	-	2,514	933	4,799
Comprising:				
- Growth Security	-	2,514	933	4,799
Total	-	2,514	933	4,799
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	21,954	8,000	18,500	7,954
Additions	24,000	5,000	18,000	4,000
Disposals (sales & redemptions)	(21,954)	(3,000)	(18,500)	-
Transfers between Current/Non Current	1,000	(1,000)	3,954	(3,954)
Balance at End of Year	25,000	9,000	21,954	8,000
Comprising:				
- Long Term Deposits	24,000	9,000	18,000	4,000
- NCD's, FRN's (with Maturities > 3 months)	1,000	-	3,954	4,000
Total	25,000	9,000	21,954	8,000
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	33,842	11,514	35,421	12,799
attributable to:				
External Restrictions (refer below)	5,429	3,905	3,875	7,055
Internal Restrictions (refer below)	25,372	7,609	30,501	5,744
Unrestricted	3,041	-	1,045	-
	33,842	11,514	35,421	12,799

2011 \$ '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)	2,062	2,133	(2,500)	1,695
Specific Purpose Unexpended Grants (F)	1,774	-	(1,263)	511
Domestic Waste Management (G)	6,638	1,272	(1,164)	6,746
Environmental Levy	264	247	(311)	200
Other Contributions	192	176	(186)	182
External Restrictions - Other	10,930	3,828	(5,424)	9,334
Total External Restrictions	10,930	3,828	(5,424)	9,334

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)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,821	322	(453)	1,690
Employees Leave Entitlement	3,979	1,121	(878)	4,222
Carry Over Works	344	515	(220)	639
Deposits, Retentions & Bonds	5,696	687	-	6,383
Office Equipment	235	408	(75)	568
Sale of Properties	81	-	(19)	62
Insurance Claims	250	-	(50)	200
Parking Meters	2,009	450	-	2,459
Parking - Off-Street	852	150	(108)	894
Street Tree (Sewer) Aerial Building	252	-	-	252
Affordable Housing	767	130	-	897
Social Housing	101	19	-	120
Future Capital Works	7,814	90	(3)	7,901
Unexpended Loans	193	-	(5)	188
Cemetery Funds	1,038	184	(2)	1,220
Investment Strategy	7,859	-	(4,312)	3,547
Other	2,954	631	(1,846)	1,739
Total Internal Restrictions	36,245	4,707	(7,971)	32,981
TOTAL RESTRICTIONS	47,175	8,535	(13,395)	42,315

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		512	190	592	203
Interest & Extra Charges		117	55	133	33
User Charges & Fees		524	42	1,056	24
Accrued Revenues					
- Interest on Investments		941	-	382	-
Government Grants & Subsidies		452	-	202	-
Deferred Debtors		25	83	-	10
Net GST Receivable		450	-	495	-
Other Levels of Government		67	-	62	-
Parking Fines		3,182	4,053	3,249	3,651
Other Debtors		672	1	364	-
Total		6,942	4,424	6,535	3,921
less: Provision for Impairment					
User Charges & Fees		(78)	-	(29)	(34)
Parking Fines		-	(1,221)	-	(1,221)
Other Debtors		(3)	(1)	(2)	-
Total Provision for Impairment - Receivables		(81)	(1,222)	(31)	(1,255)
<u>TOTAL NET RECEIVABLES</u>		<u>6,861</u>	<u>3,202</u>	<u>6,504</u>	<u>2,666</u>
Externally Restricted Receivables					
Domestic Waste Management		451	-	510	-
Other					
- Environmental Levy		8	-	15	-
Total External Restrictions		459	-	525	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		6,402	3,202	5,979	2,666
TOTAL NET RECEIVABLES		6,861	3,202	6,504	2,666

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		160	-	164	-
Total Inventories		160	-	164	-
Other Assets					
Prepayments		700	-	526	-
Total Other Assets		700	-	526	-
TOTAL INVENTORIES / OTHER ASSETS		860	-	690	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010				Asset Movements during the Reporting Period								as at 30/6/2011				
	At	At	Acc.	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Tfrs from/(to) Inv. Properties	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Acc.	Carrying	
	Cost	Fair Value	Dep'n	Value									Cost	Fair Value	Dep'n	Value	
Capital Work in Progress	2,234	-	-	2,234	6,824	-	-	(1,330)	-	(25)	-	-	7,703	-	-	-	7,703
Plant & Equipment	-	12,204	6,584	5,620	707	(47)	(1,271)	-	-	-	-	-	-	12,607	7,598	-	5,009
Office Equipment	-	9,186	7,403	1,783	122	-	(413)	-	-	-	-	-	-	9,279	7,787	-	1,492
Land:																	
- Operational Land	-	45,996	-	45,996	665	-	-	-	1,081	-	-	1,138	-	48,880	-	-	48,880
- Community Land	145,168	-	-	145,168	-	-	-	-	(1,081)	-	-	-	-	144,087	-	-	144,087
Buildings - Non Specialised	-	74,656	24,318	50,338	1,518	-	(2,167)	212	-	-	-	-	-	76,386	26,485	-	49,901
Buildings - Specialised	-	75,081	38,881	36,200	256	(58)	(2,803)	203	(433)	-	(108)	-	-	74,237	40,980	-	33,257
Other Structures	18,275	-	6,886	11,389	469	-	(745)	238	1,048	-	-	4,184	-	27,554	10,971	-	16,583
Infrastructure:																	
- Roads, Bridges, Footpaths	-	409,294	154,876	254,418	3,839	-	(6,995)	677	-	-	-	-	-	413,541	161,602	-	251,939
- Stormwater Drainage	-	110,446	34,952	75,494	268	-	(1,108)	-	-	-	-	-	-	110,714	36,060	-	74,654
Other Assets:																	
- Library Books	5,747	-	4,669	1,078	153	-	(208)	-	-	-	-	-	-	5,900	4,877	-	1,023
- Other	5,224	-	1,150	4,074	110	-	(127)	-	(615)	-	-	-	-	4,595	1,153	-	3,442
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	176,648	736,863	279,719	633,792	14,931	(105)	(15,837)	-	-	(25)	(108)	5,322	7,703	927,780	297,513	-	637,970

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management Plant & Equipment	-	7,394	4,359	3,035	-	8,019	4,122	3,897
Total DWM	-	7,394	4,359	3,035	-	8,019	4,122	3,897
TOTAL RESTRICTED I,PP&E	-	7,394	4,359	3,035	-	8,019	4,122	3,897

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,513	-	2,112	-
Goods & Services - capital expenditure		585	-	353	-
Payments Received In Advance		391	-	291	-
Accrued Expenses:					
- Borrowings		60	-	79	-
- Salaries & Wages		208	-	35	-
- Other Expenditure Accruals		592	-	914	-
Builders Deposits		5,394	-	5,115	-
Security Bonds, Deposits & Retentions		989	-	581	-
Other		38	-	37	-
Total Payables		10,770	-	9,517	-
Borrowings					
Loans - Secured ¹		1,185	3,187	1,346	4,371
Total Borrowings		1,185	3,187	1,346	4,371
Provisions					
Employee Benefits;					
Annual Leave		4,440	-	3,940	-
Sick Leave		2,576	-	2,807	-
Long Service Leave		9,197	655	7,435	644
Gratuities		4,055	-	4,916	-
Time Off in Lieu		188	-	152	-
Total Provisions		20,456	655	19,250	644
Total Payables, Borrowings & Provisions		32,411	3,842	30,113	5,015

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	585	-	274	-
Environmental Levy	16	-	7	-
Liabilities relating to externally restricted assets	601	-	281	-
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	601	-	281	-

¹ Loans are secured over the General Rating Income of Council

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	13,956	12,803
Payables - Security Bonds, Deposits & Retentions	4,149	3,702
	18,105	16,505

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,940	2,989	(2,489)	-	-	4,440
Sick Leave	2,807	1,071	(1,302)	-	-	2,576
Long Service Leave	8,079	2,411	(638)	-	-	9,852
Gratuities	4,916	127	(988)	-	-	4,055
Other Leave	152	51	(15)	-	-	188
TOTAL	19,894	6,649	(5,432)	-	-	21,111

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,842	12,534
BALANCE as per the STATEMENT of CASH FLOWS		8,842	12,534
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(4,774)	895
Adjust for non cash items:			
Depreciation & Amortisation		15,837	10,963
Net Losses/(Gains) on Disposal of Assets		(238)	(7)
Non Cash Capital Grants and Contributions		(770)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(99)	(87)
- Investment Properties		850	(3,283)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(910)	(673)
Increase/(Decrease) in Provision for Doubtful Debts		17	(22)
Decrease/(Increase) in Inventories		4	12
Decrease/(Increase) in Other Assets		(174)	133
Increase/(Decrease) in Payables		401	642
Increase/(Decrease) in accrued Interest Payable		(19)	(20)
Increase/(Decrease) in other accrued Expenses Payable		(149)	(328)
Increase/(Decrease) in Other Liabilities		788	376
Increase/(Decrease) in Employee Leave Entitlements		1,217	1,435
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		11,981	10,036

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
S94 Contributions "in kind"		770	-
Total Non-Cash Investing & Financing Activities		770	-
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		250	250
Credit Cards / Purchase Cards		27	27
Total Financing Arrangements		277	277
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(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 financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		5,756	289
Infrastructure		433	573
Plant & Equipment		-	247
Total Commitments		6,189	1,109
These expenditures are payable as follows:			
Within the next year		6,189	1,109
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		6,189	1,109
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	180
Internally Restricted Reserves		6,189	929
Total Sources of Funding		6,189	1,109
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Cleaning Services		1,293	-
Audit Services		107	158
Electrical Services		83	-
Recycling Services		393	-
Total Commitments		1,876	158
These expenditures are payable as follows:			
Within the next year		744	51
Later than one year and not later than 5 years		1,132	107
Later than 5 years		-	-
Total Payable		1,876	158

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		814	1,123
Later than one year and not later than 5 years		572	692
Later than 5 years		42	75
Total Non Cancellable Operating Lease Commitments		1,428	1,890

b. Non Cancellable Operating Leases include the following assets:

Computer and other Plant & Equipment

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

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.

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

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

Within the next year	1,134	1,115
Later than one year and not later than 5 years	1,545	2,443
Later than 5 years	-	-
Total Payable	2,679	3,558

(g) Investment in Associates / Joint Ventures - Commitments

For capital commitments & other commitments relating to Investments in Associates & JV's, refer to Note 19 (b).

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010 2009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>35,675</u>	2.60 : 1	2.87	3.01
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>13,705</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,662</u>	1.95%	2.09%	2.60%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>85,176</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>38,673</u>	41.20%	39.74%	44.20%
Income from Continuing Operations	<u>93,857</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>874</u>	2.20%	2.54%	2.68%
Rates, Annual & Extra Charges Collectible	<u>39,760</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>5,235</u>	40.04%	68.75%	77.08%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>13,073</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Waverley Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>3.16</td> </tr> <tr> <td>2009</td> <td>3.01</td> </tr> <tr> <td>2010</td> <td>2.87</td> </tr> <tr> <td>2011</td> <td>2.60</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	3.16	2009	3.01	2010	2.87	2011	2.60	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 2.60 : 1</p> <p>A ratio of 2.60:1 indicates that Waverley Council has sufficient liquid assets on hand to meet its current liabilities as they fall due. A ratio of less than 1.5:1 is deemed unsatisfactory and a council may be unable to meet its short term financial commitments. For 2009/10 the average for NSW Councils was 2.71:1.</p>
Year	Ratio : 1											
2008	3.16											
2009	3.01											
2010	2.87											
2011	2.60											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.82%</td> </tr> <tr> <td>2009</td> <td>2.60%</td> </tr> <tr> <td>2010</td> <td>2.09%</td> </tr> <tr> <td>2011</td> <td>1.95%</td> </tr> </tbody> </table>	Year	Ratio %	2008	1.82%	2009	2.60%	2010	2.09%	2011	1.95%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 1.95%</p> <p>This ratio is typically higher for Council's in growth areas where loans have been utilised to fund infrastructure. A ratio of 1.95% indicates that Waverley Council has a relatively small portion of revenue committed to the repayment of debt. The 2009/10 average for NSW Councils was 4.99%.</p>
Year	Ratio %											
2008	1.82%											
2009	2.60%											
2010	2.09%											
2011	1.95%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>29.02%</td> </tr> <tr> <td>2009</td> <td>44.20%</td> </tr> <tr> <td>2010</td> <td>39.74%</td> </tr> <tr> <td>2011</td> <td>41.20%</td> </tr> </tbody> </table>	Year	Ratio %	2008	29.02%	2009	44.20%	2010	39.74%	2011	41.20%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 41.20%</p> <p>This ratio shows that the majority of Waverley Councils revenue is from non-rates sources. The ratio increased to 41.20% in 2010/11 due to rates and annual charges increasing by 5.27% from \$36.7m to \$38.7m, compared to an overall increase in revenue of 1.54% from \$92.4m to \$93.9m.</p>
Year	Ratio %											
2008	29.02%											
2009	44.20%											
2010	39.74%											
2011	41.20%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>3.34%</td> </tr> <tr> <td>2009</td> <td>2.68%</td> </tr> <tr> <td>2010</td> <td>2.54%</td> </tr> <tr> <td>2011</td> <td>2.20%</td> </tr> </tbody> </table>	Year	Ratio %	2008	3.34%	2009	2.68%	2010	2.54%	2011	2.20%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 2.20%</p> <p>This measure at 2.20% reflects that during 2010/11 Waverley Council has been able to again improve its collection of rates based debt and compares favourably with the 2009/10 NSW Council average of 5.31%.</p>
Year	Ratio %											
2008	3.34%											
2009	2.68%											
2010	2.54%											
2011	2.20%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>77.08%</td> </tr> <tr> <td>2010</td> <td>68.75%</td> </tr> <tr> <td>2011</td> <td>40.04%</td> </tr> </tbody> </table>	Year	Ratio %	2009	77.08%	2010	68.75%	2011	40.04%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 40.04%</p> <p>Council's Building & Infrastructure renewals ratio was 40.04%, which is a decrease on the previous year. This ratio represents the expenditure outlays in the year on the renewal of existing buildings and infrastructure as a percentage of the annual building & infrastructure depreciation expense.</p>		
Year	Ratio %											
2009	77.08%											
2010	68.75%											
2011	40.04%											

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
Investment Properties on Hand		114,827	115,639
Reconciliation of Annual Movement:			
Opening Balance		115,639	112,356
- Capitalised Expenditure - this year		13	-
- Net Gain/(Loss) from Fair Value Adjustments		(850)	3,283
- Transfers from/(to) Owner Occupied (Note 9)		25	-
CLOSING BALANCE - INVESTMENT PROPERTIES		114,827	115,639
(b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2011 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd (ACN 003 683 878)			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		1,862	1,809
Later than 1 year but less than 5 years		5,494	6,616
Later than 5 years		389	808
Total Minimum Lease Payments Receivable		7,745	9,233
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		2,033	1,911
- Other Income		3,220	3,547
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(1,609)	(1,594)
- that did not generate rental income		(400)	(333)
Net Revenue Contribution from Investment Properties		3,244	3,531
plus:			
Fair Value Movement for year		(850)	3,283
Total Income attributable to Investment Properties		2,394	6,814

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	8,842	12,534	8,842	12,534
Investments				
- "Held for Trading"	2,514	5,732	2,514	5,732
- "Held to Maturity"	34,000	29,954	34,000	29,954
Receivables	10,063	9,170	10,063	9,170
Total Financial Assets	55,419	57,390	55,419	57,390
Financial Liabilities				
Payables	10,379	9,226	10,379	9,226
Loans / Advances	4,372	5,717	4,372	5,717
Total Financial Liabilities	14,751	14,943	14,751	14,943

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	2,514	-	-	2,514
Total Financial Assets	2,514	-	-	2,514
2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	5,732	-	-	5,732
Total Financial Assets	5,732	-	-	5,732

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	251	251	(251)	(251)
Possible impact of a 1% movement in Interest Rates	428	428	(428)	(428)
2010				
Possible impact of a 10% movement in Market Values	573	573	(573)	(573)
Possible impact of a 1% movement in Interest Rates	425	425	(425)	(425)

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	5,720	-	5,290
Overdue	702	4,944	795	4,371
	702	10,664	795	9,661
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			1,286	1,308
+ new provisions recognised during the year			32	28
- amounts already provided for & written off this year			(15)	(50)
Balance at the end of the year			1,303	1,286

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity		payable in:					Total Cash Outflows	Actual Carrying Values
			≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs		
2011									
Trade/Other Payables	6,383	3,996	-	-	-	-	-	10,379	10,379
Loans & Advances	-	1,436	1,466	897	694	354	141	4,988	4,372
Total Financial Liabilities	6,383	5,432	1,466	897	694	354	141	15,367	14,751
2010									
Trade/Other Payables	5,696	3,530	-	-	-	-	-	9,226	9,226
Loans & Advances	-	1,680	1,436	1,466	897	694	495	6,668	5,717
Total Financial Liabilities	5,696	5,210	1,436	1,466	897	694	495	15,894	14,943

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,379	0.0%	9,226	0.0%
Loans & Advances - Fixed Interest Rate	4,372	6.0%	5,717	6.0%
	<u>14,751</u>		<u>14,943</u>	

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 15 June 2010.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2011 Budget	2011 Actual	----- 2011 Variance* -----		
REVENUES					
Rates & Annual Charges	38,760	38,673	(87)	(0%)	U
User Charges & Fees	23,993	24,610	617	3%	F
Interest & Investment Revenue	2,100	3,016	916	44%	F
Other Revenues	17,185	16,418	(767)	(4%)	U
Operating Grants & Contributions	5,641	5,979	338	6%	F
Capital Grants & Contributions	4,737	4,923	186	4%	F
Net Gains from Disposal of Assets	149	238	89	60%	F

Council originally estimated a gain from the disposal of Plant and Equipment (P&E) assets of \$149k for the 2010/11 financial year. The overall gain from the disposal of these assets was \$47k for the 2010/11 financial year, which was \$102k less than the original budget. This was due to a number of trucks from the Waste Collection fleet not being replaced during the 2010/11 financial year as was originally planned, these vehicles will be replaced in the 2011/12 financial year.

Council also realised a capital gain of \$249k from financial assets that were sold during the financial year. This gain had not been included in the original budget.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	50,018	47,966	2,052	4%	F
Borrowing Costs	317	327	(10)	(3%)	U
Materials & Contracts	17,333	18,502	(1,169)	(7%)	U
Depreciation & Amortisation	12,000	15,837	(3,837)	(32%)	U
<p>Depreciation expense increased by \$3.837m. This was mainly due to the revaluation of Council's Roads, Footpaths and Drainage assets in the 2009/10 financial year. The depreciation expense on the Roads, Footpaths and Drainage asset classes increased by \$4.603m or 132% on the 2009/10 depreciation expense. This overall increase is due to an increased asset base along with different depreciation rates for the different asset components which better align with the actual consumption of the asset over its useful life.</p>					
Other Expenses	14,585	15,999	(1,414)	(10%)	U

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
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Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	13,228	11,981	(1,247)	(9.4%)	U
Cash Flows from Investing Activities	(16,499)	(14,328)	2,171	(13.2%)	F
<p>This variance is largely due to less expenditure being incurred on Council's Capital Works Program than originally forecasted for the financial year. This is due to delays in projects being completed or commenced as originally anticipated. The unexpended funds from the 2010/11 Financial Year will be carried over to the 2011/12 Financial Year to allow the program of works to be completed.</p>					
Cash Flows from Financing Activities	(1,346)	(1,345)	1	(0.1%)	F

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
S94A Levies - under a Plan	-	2,007	770	-	(2,007)	-	-	5,440	(81,207)	(75,767)	-
Total S94 Revenue Under Plans	-	2,007	770	-	(2,007)	-	-				-
S93F Planning Agreements	2,062	20	-	106	(493)	-	1,695	1,200	-	2,895	
Total Contributions	2,062	2,027	770	106	(2,500)	-	1,695	6,640	(81,207)	(72,872)	-

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

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 it's 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.

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(ii) S94 Plans

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

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

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

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

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

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

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

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

(iv) Legal Expenses

Council is the planning consent authority for its area 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 so 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 financial year ended 30 June 2011

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

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,111,053	1,110,913
a. Correction of Prior Period Errors	20 (c)	7,227	6,472
b. Changes in Accounting Policies (prior period effects)	20 (d)	(541,553)	(541,553)
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	312
d. Net Operating Result for the Year		(4,774)	895
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	(312)
Balance at End of the Reporting Period		<u>571,953</u>	<u>576,727</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		245,825	240,611
Total		<u>245,825</u>	<u>240,611</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		240,611	109,829
- Revaluations for the year	9(a)	5,214	130,470
- Transfer to Retained Earnings for Asset disposals		-	312
- Balance at End of Year		<u>245,825</u>	<u>240,611</u>
TOTAL VALUE OF RESERVES		<u>245,825</u>	<u>240,611</u>
(iii). Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011	Actual 2010
---------	----------------	----------------

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

As part of the revaluation of the Community Land asset class, Council identified a small number of land parcels that had been incorrectly recognised as being owned by Council. This resulted in the carrying value for the Community Land asset class being overstated. To correct this error the opening balance for the Infrastructure, Property, Plant & Equipment (IPP&E) asset class Community Land has been decreased. This adjustment has resulted in a decrease to the opening 1 July 2009 Retained Earnings balance.

- Decrease 1 July 2009 Opening Balance.	(1,047)
- Retained Earnings	
- IPP&E (Community Land)	

Corrections made in the 09/10 Reporting Year

Council revalued the following asset classes for the 09/10 Year End:

- Roads, Bridges, Footpaths
- Stormwater Drainage

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;

- Roads, Bridges, Footpaths (increase) to accumulated depreciation	(7,210)
- Stormwater Drainage decrease to accumulated depreciation	6,455

This adjustment resulted in a net (decrease) in Council's Accumulated Surplus as at 30/6/09.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011	Actual 2010
---------	----------------	----------------

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

As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:

- Community Land
- Other Structures
- Other Assets

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/10 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;

- Other Structures decrease to accumulated depreciation 8,274

This adjustment resulted in net increase in Council's Accumulated Surplus as at 30/6/10.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)	7,227	(755)
- Adjustments to Closing Equity - 30/6/10 (relating to adjustments for the 30/6/10 year end)	-	-
Total Prior Period Adjustments - Prior Period Errors	7,227	(755)

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011	Actual 2010
d. Voluntary Changes in Accounting Policies		
<p>As part of the transition to Fair Value for Infrastructure, Property, Plant & Equipment (IPP&E), in the 2010/11 Financial Year Council revalued its Community Land assets to Fair Value based on the Valuer-Generals land values in accordance with the Local Government Code of Accounting Practice and Financial Reporting Update no. 19.</p> <p>Council's Community Land assets had previously been valued and recognised in the Financial Accounts in 1996/97. The basis for this initial valuation was market value. The initial valuation undertaken in 1996/97 resulted in a considerable increase in the value of Community Land assets being recognised in the financial accounts. This valuation was recorded in the balance sheet as a credit (increase) to Council's Equity via Retained Earnings/Accumulated Surplus.</p> <p>In 2010/11 Council changed its accounting policy with regard to the methodology applied in recognising the value of its Community Land assets in the financial accounts. This change in methodology resulted in the carrying value of the Community Land Assets being significantly reduced by \$541,553 million.</p> <p>To reflect this change in accounting policy, the 1 July 2009 opening Retained Earnings balance has been decreased by \$541,553 million and the opening balance for IPP&E (Community Land) has also been adjusted down by the same amount in the 2010/11 financial accounts.</p>		
- Decrease 1 July 2009 Opening Balance.	(541,553)	
- Retained Earnings		
- IPP&E (Community Land)		
<p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.</p> <p>These amounted to the following Equity Adjustments:</p>		
- Adjustments to Opening Equity - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)	(541,553)	-
- Adjustments to Closing Equity - 30/6/10 (relating to adjustments for the 30/6/10 year end)	-	-
Total Prior Period Adjustments - Accounting Policy Changes	(541,553)	-

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Council only operates a General Fund

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

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	-	39,720	-	39,720
Buildings	-	5,235	-	5,235
Total Non Current Assets "Held for Sale"	-	44,955	-	44,955
Disposal Group Assets "Held for Sale"				
None				
TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	-	44,955	-	44,955

(ii) Details of Assets & Disposal Groups

Council resolved in September 2007 to sell its central depot site at Portman Street, Waterloo, valued at \$44.955 million (Land & Buildings). This site forms an integral part of the City of Sydney Green Square development.

Discussions have taken place and are continuing with the City of Sydney which will affect the timing of disposal of the depot site. The sale of this property may occur in 2011/12.

\$ '000	Assets "Held for Sale"		Disposal Groups	
	2011	2010	2011	2010
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	44,955	46,070	-	-
less: Carrying Value of Assets/Operations Sold	-	(1,115)	-	-
Balance still unsold after 12 months:	44,955	44,955	-	-
Closing Balance of "Held for Sale" Non Current Assets & Operations	44,955	44,955	-	-

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 21/09/11.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review

\$ '000

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

Financial Performance Figures	2011	2010	2009	2008	2007
Inflows:					
Rates & Annual Charges Revenue	38,673	36,737	35,715	34,817	33,904
User Charges Revenue	24,610	23,657	21,979	25,035	22,479
Interest & Investment Revenue (Losses)	3,016	2,274	2,368	(103)	4,423
Grants Income - Operating & Capital	7,238	6,238	7,807	6,457	5,610
Total Income from Continuing Operations	93,857	92,437	80,889	119,993	90,737
Sale Proceeds from I,PP&E	94	1,783	26	807	10,625
New Loan Borrowings & Advances	-	-	-	-	2,000
Outflows:					
Employee Benefits & On-cost Expenses	47,966	46,949	43,416	39,985	37,800
Borrowing Costs	327	401	489	577	633
Materials & Contracts Expenses	18,502	19,188	18,911	17,866	17,753
Total Expenses from Continuing Operations	98,631	91,542	87,798	79,030	75,312
Total Cash purchases of I,PP&E	13,904	10,529	11,777	12,808	14,887
Total Loan Repayments (incl. Finance Leases)	1,345	1,377	1,421	1,467	1,629
Operating Surplus/(Deficit) (excl. Capital Income)	(9,697)	(3,101)	(11,181)	36,769	13,129
Financial Position Figures	2011	2010	2009	2008	2007
Current Assets	41,563	42,615	42,865	48,002	46,180
Current Liabilities	32,411	30,113	28,550	28,430	27,063
Net Current Assets	9,152	12,502	14,315	19,572	19,117
Available Working Capital (Unrestricted Net Current Assets)	6,492	4,174	4,211	3,667	5,563
Cash & Investments - Unrestricted	3,041	1,045	300	2,063	3,044
Cash & Investments - Internal Restrictions	32,981	36,245	35,629	39,234	37,826
Cash & Investments - Total	45,356	48,220	48,186	49,773	50,389
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	4,372	5,717	7,094	8,515	9,982
Total Value of I,PP&E (excl. Land & Earthworks)	742,516	722,347	512,946	511,909	424,174
Total Accumulated Depreciation	297,513	279,719	207,793	200,254	144,767
Indicative Remaining Useful Life (as a % of GBV)	60%	61%	59%	61%	66%

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

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 1 - Revenue Sources

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

1.1 Sources of Total Revenue Before Capital

Ordinary Revenue classified by source

For Information Only

	Last Year -2 June 2008	% age of Total Revenue	Last Year -1 June 2009	% age of Total Revenue	Last Year June 2010	% age of Total Revenue	Current Year June 2011	% age of Total Revenue
Rates & Charges	34,817	30.07%	35,715	46.61%	36,737	41.54%	38,673	43.49%
User Charges & Fees	25,035	21.62%	21,357	27.88%	23,657	26.75%	24,610	27.67%
Interest	-	0.00%	2,368	3.09%	2,274	2.57%	3,016	3.39%
Grants (Operating)	4,724	4.08%	5,425	7.08%	4,831	5.46%	5,281	5.94%
Contributions	1,203	1.04%	1,205	1.57%	671	0.76%	698	0.78%
Profit on Sale of Assets	64	0.06%	-	0.00%	7	0.01%	238	0.27%
Other	49,956	43.14%	10,547	13.77%	20,264	22.91%	16,418	18.46%
Profit from interest in Joint Venture	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Ordinary Revenue Before Capital	\$ 115,799	100.00%	\$ 76,617	100.00%	\$ 88,441	100.00%	\$ 88,934	100.00%

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 2 - Cash / Liquidity Position

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

2.1 Unrestricted Current Ratio

Current Assets less Externally Restricted Current Assets
Current Liabilities less Specific Purpose Current Liabilities

Greater than 2:1
 Between 1:1 and 2:1
 Less than 1:1



Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
3.16 : 1	3.01 : 1	2.87 : 1	2.60 : 1

Indicator # 2 - Cash / Liquidity Position

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

2.2 Available Cash Position

[a] Available Cash Assets, [b] Unrestricted Available Cash Assets
[a] Cash Assets less Externally Restricted Assets
[b] Unrestricted Available Cash Assets less Internally Restricted Assets
 For Information Only

	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
[a]	\$ 35,671	\$ 29,452	\$ 31,546	\$ 28,413
[b]	\$ 2,063	\$ 300	\$ 1,045	\$ 3,041

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 2 - Cash / Liquidity Position

Indicator Title:

2.3 Availability of Cash Assets as a % of Total Revenue

Indicator Definition:

[a] Available Cash Assets, [b] Unrestricted Available Cash Assets

[a] Available cash Assets / Ordinary Revenue before Capital

[b] Unrestricted Available Cash Assets / Ordinary Revenue before Capital

Indicator / Local Government Benchmark:

For Information Only

	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
[a]	30.82%	38.44%	35.67%	32.03%
[b]	1.78%	0.39%	1.18%	3.43%

Indicator # 3 - Operating Result

Indicator Title:

3.1 Result from Ordinary Operations before Capital Grants & Contributions

Indicator Definition:

Total of Operational Revenues less Total Operational Expenses

Indicator / Local Government Benchmark:

Three (3) successive surplus'

Surplus

Deficit



	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
	36,769	(6,909)	895	(4,774)

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 4 - Asset Condition Management

Indicator Title:

- a. Renewal
- b. Maintenance / Maintenance Required
- c. Asset Life Position

Indicator Definition:

- a. Capital Expenditure on Existing Assets / Annual Depreciation
- b. Actual Maintenance Expended / Maintenance Level Required to Achieve Useful Life
- c. Accumulated Depreciation / Total Depreciable Asset Value

Indicator / Local Government Benchmark:

- a & b 1:1 
- a & b Less than 1:1 
- c For Information Only

	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
a	2.45	0.61	0.69	0.40
b	0.12	0.11	0.41	0.84
c	36.1%	37.3%	37.8%	39.3%

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 5 - Debt and Debtor Management

Indicator Title:

- 5.1 Debt Service Ratio**
- 5.2 Outstanding Rates & Charges**
- 5.2.1 Outstanding Debtors Ratio
- 5.2.2 Other Debtors Ratio

Indicator Definition:

- 5.1 Gross Debt Service Costs / Total Revenue from Ordinary Activities*
- 5.2.1 Total Outstanding Rates Charges & Fees / Rates Charges and Fees Annual Income plus Arrears*
- 5.2.2 Total Other Debtors Outstanding / Total Invoices Raised plus Arrears Brought Forward*

Indicator / Local Government Benchmark:

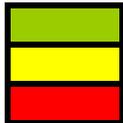
5.1 & 5.2.2

- <10%
- 10%-15%
- >15%



5.2.1

- <4%
- 4%-5%
- >5%



	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2010
5.1	1.82%	2.63%	2.09%	1.95%
5.2.1	3.34%	2.68%	2.54%	2.20%
5.2.2	20.36%	20.31%	17.31%	17.16%

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 6 - Re - Votes of Expenditure

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

Re-Votes of Expenditure

Revotes / Total Expenses

<2%

2% to 5%

>5%



Year Ended
June 2008

2.88%

Year Ended
June 2009

1.04%

Year Ended
June 2010

2.31%

Year Ended
June 2011

1.98%

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review - Council's Financial Health Check Performance Indicators

\$ '000

Indicator # 7 - Management Practices

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

Accuracy / Timeliness of Financial Data / Budget / Compliance

As Indicated Below

8 to 9 Achieved

5 to 7 Achieved

4 or Less Achieved



	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
1. Financial Bottom Line (before capital) matched to forecasts to a level of + or - 10%	Yes	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end	Yes	Yes	Yes	Yes
5. Do you report quarterly statutory within 21 days of quarter end	No	No	No	No
6. Do you report annual statutory within 21 days of year end	No	No	No	No
7. Do budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	Yes	Yes	Yes	Yes
8. Rigour of budget review and then ongoing monthly / quarterly budget to actual results analysis	Yes	Yes	Yes	Yes
9. Does RAO formally report to Council on the sign off of Financial Statements - Section 413	Yes	Yes	Yes	Yes
10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice.	No	No	Yes	Yes
	7	6	7	7

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 28. Council Information & Contact Details

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

Email: waver@waverley.nsw.gov.au

Officers

GENERAL MANAGER

Anthony Reed

RESPONSIBLE ACCOUNTING OFFICER

Michael Mamo

PUBLIC OFFICER

Bronwyn Kelly

AUDITORS

Hill Rogers Spencer Steer Chartered Accountants

Elected Members

MAYOR

Clr Sally Betts

COUNCILLORS

Clr Leon Goltsman

Clr Miriam Guttman-Jones

Clr Joy Clayton

Clr Dominic Wy Kanak

Clr John Wakefield

Clr Kerryn Sloan

Clr Mora Main

Clr Rose Jackson

Clr Tony Kay

Clr Prue Cancian

Clr Ingrid Strewe

Other Information

ABN: 12 502 583 608

WAVERLEY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Waverley Council**, which comprises the Balance Sheet as at 30 June 2011, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 or the additional disclosures in Notes 13a(i) & 27. Accordingly, no opinion is expressed on these matters.

Assurance Partners

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Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 21st day of September 2011

21 September 2011

The Mayor
Waverley Council
PO Box 9
BONDI JUNCTION NSW 2022

Mayor,

Audit Report - Year Ended 30 June 2011

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2011 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a deficit of \$4.774 million as compared with a surplus of \$895,000 in the previous year.

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ABN 56 435 338 966

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2011 \$000	% of Total	2010 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	38,673	43%	36,737	42%	1,936
User charges, fees & other revenues	41,266	46%	43,928	50%	(2,662)
Grants & contributions provided for operating purposes	5,979	7%	5,502	6%	477
Interest & investment revenue	3,016	3%	2,274	3%	742
	88,934	100%	88,441	100%	493
Expenses					
Employee benefits & costs	47,966	49%	46,949	51%	1,017
Materials, contracts & other	34,501	35%	33,229	36%	1,272
Depreciation, amortisation & impairment	15,837	16%	10,963	12%	4,874
Borrowing costs	327	0%	401	0%	(74)
	98,631	100%	91,542	100%	7,089
Surplus/(Deficit) before capital items					
	(9,697)		(3,101)		(6,596)
Grants & contributions provided for capital purposes	4,923		3,996		927
year	(4,774)		895		(5,669)

The table above shows an overall decrease over the previous year of \$5.669 million and can largely be attributed to increased depreciation charges resulting from the revaluation of infrastructure assets in the previous year and a reduction in the value of investment properties of \$850,000.

1.2 Funding Result

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

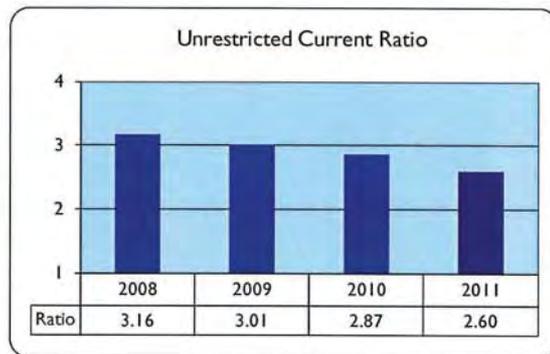
	2011	2010
Funds were provided by:-	\$000	\$000
Operating Result (as above)	(4,774)	895
Add back non funding items:-		
- Depreciation, amortisation & impairment	15,837	10,963
- Book value of non current assets sold	105	705
- (Gain)Loss of fair value to investment properties	850	(3,283)
	12,018	9,280
Decrease/Redemption in Non-Current Investments	1,285	800
Transfers from externally restricted assets (net)	0	1,213
Transfers from internal reserves (net)	5,129	0
Net Changes in current/non-current assets & liabilities	1,441	1,492
	19,873	12,785
Funds were applied to:-		
Purchase and construction of assets	(14,944)	(10,086)
Principal repaid on loans	(1,345)	(1,377)
Transfers to externally restricted assets (net)	(1,168)	0
Transfers to internal reserves (net)	0	(1,349)
Advances to deferred debtors	(98)	(10)
	(17,555)	(12,822)
Increase/(Decrease) in Available Working Capital	2,318	(37)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$21.970 million representing a factor of 2.60 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal restrictions held for future purposes.

At the close of the year Available Working Capital stood at \$6.492 million as detailed below;

	2011	2010	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	9,152	12,502	(3,350)
Add: Payables & provisions not expected to be realised in the next 12 months included above	18,105	16,505	1,600
Adjusted Net Current Assets	27,257	29,007	(1,750)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,185	1,346	(161)
- Employees leave entitlements	6,500	6,447	53
- Deposits & retention moneys	2,234	1,994	240
- Deferred debtors	(25)	0	(25)
Less: Externally restricted assets	(5,287)	(4,119)	(1,168)
Less: Internally restricted assets	(25,372)	(30,501)	5,129
Available Working Capital as at 30 June	6,492	4,174	2,318

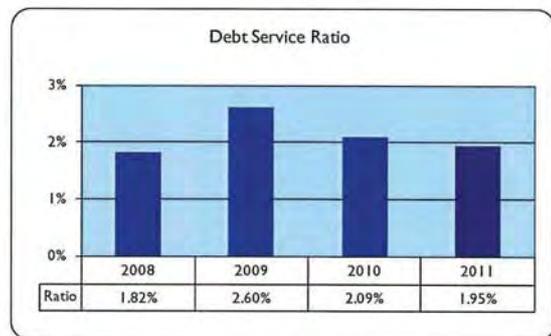
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2011 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.95%.

Principal and interest paid during the year was \$1.662 million leaving total debt as at 30 June 2011 at \$4.372 million (2010 - \$5.717 million).



2.4 Summary

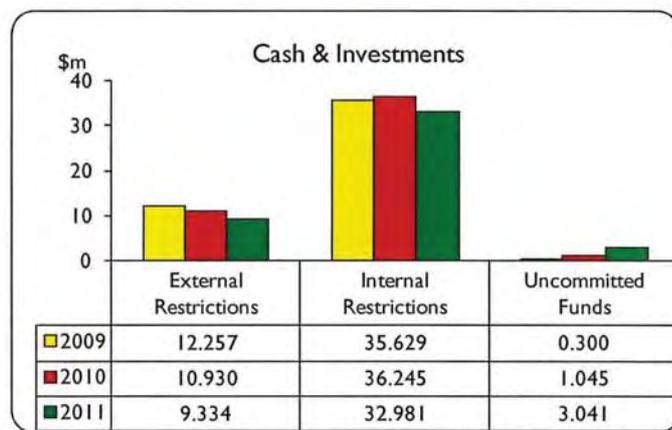
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments securities totalled \$45.356 million at the close of the year as compared with \$48.220 million in 2010 and \$48.186 million in 2009.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 of \$1.695 million, domestic waste management charges of \$6.746 million and specific purpose grants and environmental levies of \$893,000.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$32.981 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$3.041 million.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets decreased by \$3.692 million to \$8.842 million at the close of the year.

In addition to operating activities which contributed net cash of \$11.981 million were the proceeds from the redemption of investment securities (\$28.520 million) and sale of assets (\$94,000). Cash outflows other than operating activities were used to repay loans (\$1.345 million), purchase investment securities (\$29 million) and to purchase and construct assets (\$13.942 million).

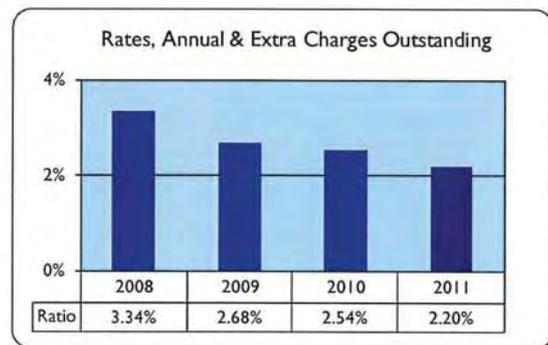
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$38.673 million. Including arrears, the total rates and annual charges collectible was \$39.468 million of which \$38.766 million (98.22%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$874,000 at the end of the year and represented 2.20% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$10.492 million and included parking fines of \$7.235 million.

Those considered to be uncertain of collection have been provided for as doubtful debts amounting to \$1.303 million of which unpaid parking fines accounted for \$1.221 million.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$21.111 million.

Internally restricted cash and investments of \$4.222 million was held representing 20% of this liability and was, in our opinion, adequate to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.383 million and were fully funded by internally restricted cash and investments.

6. REVALUATION OF ASSETS

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

This year saw the revaluation of the community land, land improvements and all remaining asset categories. The revaluation process resulted in a transfer to the asset revaluation reserve of \$5.214 million. A revaluation decrement of \$541.553 million arising from a change in the valuation methodology of community land was recognised directly in retained earnings. Notes 1(j), 9 and 20 of the financial statements provide further details.

7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 30 June 2011 and this included our recommendations on possible ways to strengthen and/or improve procedures.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*"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 financial year ended 30 June 2011

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	n/a
- Income Statement of Sewerage Business Activity	n/a
- Income Statement of Other Business Activities	3
- Balance Sheet of Water Supply Business Activity	n/a
- Balance Sheet of Sewerage Business Activity	n/a
- Balance Sheet of Other Business Activities	5
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	11

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Waverley Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

Statement by Councillors and Management

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

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

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

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

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

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

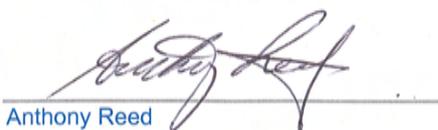
Signed in accordance with a resolution of Council made on 20 September 2011.



Clr Sally Betts
MAYOR



COUNCILLOR



Anthony Reed
GENERAL MANAGER



Michael Mamo
RESPONSIBLE ACCOUNTING OFFICER

Waverley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Property		Commercial Waste	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Access charges	-	-	-	-
User charges	5,823	6,040	1,902	1,748
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	2,030	110	105
Total income from continuing operations	5,823	8,070	2,012	1,853
Expenses from continuing operations				
Employee benefits and on-costs	618	373	912	945
Borrowing costs	-	-	-	-
Materials and contracts	860	1,031	13	13
Depreciation and impairment	54	54	2	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1,460	692	947	783
Total expenses from continuing operations	2,992	2,150	1,874	1,741
Surplus (deficit) from Continuing Operations before capital amounts	2,831	5,920	138	112
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	2,831	5,920	138	112
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	2,831	5,920	138	112
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(849)	(1,776)	(41)	(34)
SURPLUS (DEFICIT) AFTER TAX	1,982	4,144	97	78
plus Opening Retained Profits	111,440	109,318	(347)	(523)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	849	1,776	41	34
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	64
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(3,922)	(3,798)	(145)	-
Closing Retained Profits	110,349	111,440	(354)	(347)
Return on Capital %	2550.5%	5059.8%	146.8%	n/a
Subsidy from Council	-	-	-	-

Waverley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Cemetery	
	Actual 2011	Actual 2010
Income from continuing operations		
Access charges	-	-
User charges	1,208	1,366
Fees	-	-
Interest	83	45
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	30	27
Total income from continuing operations	1,321	1,438
Expenses from continuing operations		
Employee benefits and on-costs	622	527
Borrowing costs	-	-
Materials and contracts	434	459
Depreciation and impairment	44	63
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	81	109
Total expenses from continuing operations	1,181	1,158
Surplus (deficit) from Continuing Operations before capital amounts	140	280
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	140	280
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	140	280
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(42)	(84)
SURPLUS (DEFICIT) AFTER TAX	98	196
plus Opening Retained Profits	138,203	138,186
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	42	84
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(13,805)	(263)
Closing Retained Profits	124,538	138,203
Return on Capital %	0.1%	0.2%
Subsidy from Council	6,965	7,379

Waverley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	60	252	105	119
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	60	252	105	119
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	111	117	94	-
Investments accounted for using equity method	-	-	-	-
Investment property	110,599	111,403	-	-
Other	-	-	-	-
Total Non-Current Assets	110,710	111,520	94	-
TOTAL ASSETS	110,770	111,772	199	119
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	76	98	157	69
Interest bearing liabilities	-	-	-	-
Provisions	268	157	396	397
Total Current Liabilities	344	255	553	466
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	344	255	553	466
NET ASSETS	110,426	111,517	(354)	(347)
EQUITY				
Retained earnings	110,349	111,440	(354)	(347)
Revaluation reserves	77	77	-	-
Council equity interest	110,426	111,517	(354)	(347)
Minority equity interest	-	-	-	-
TOTAL EQUITY	110,426	111,517	(354)	(347)

Waverley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Cemetery	
	Category 2	
	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	1,220	1,038
Investments	-	-
Receivables	22	11
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,242	1,049
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	136,363	150,183
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	136,363	150,183
TOTAL ASSETS	137,605	151,232
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	16	27
Interest bearing liabilities	-	-
Provisions	270	221
Total Current Liabilities	286	248
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	286	248
NET ASSETS	137,319	150,984
EQUITY		
Retained earnings	124,538	138,203
Revaluation reserves	12,781	12,781
Council equity interest	137,319	150,984
Minority equity interest	-	-
TOTAL EQUITY	137,319	150,984

Waverley Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

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 financial year ended 30 June 2011

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. 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 one thousand dollars.

Waverley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

Income Tax

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

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

Waverley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/11.

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

(iv) Dividends

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

WAVERLEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Waverley Council**, which comprises the Balance Sheet as at 30 June 2011, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 21st day of September 2011

Waverley Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

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



Waverley Council

Special Schedules

for the financial year ended 30 June 2011

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¹ Special Purpose Schedules are not audited.

Background

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

Waverley Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	-	-	-	-
Administration	20,917	1,940	12	(18,965)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,650	152	-	(1,498)
Beach Control	2,776	22	123	(2,631)
Enforcement of Local Govt Regs	1,189	1,744	-	555
Animal Control	235	41	-	(194)
Other	-	-	-	-
Total Public Order & Safety	5,850	1,959	123	(3,768)
Health	1,794	243	-	(1,551)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,387	1,062	-	(325)
Solid Waste Management	11,906	13,969	-	2,063
Street Cleaning	3,899	-	-	(3,899)
Drainage	1,525	11	-	(1,514)
Stormwater Management	-	-	-	-
Total Environment	18,717	15,042	-	(3,675)
Community Services and Education				
Administration & Education	1,790	58	-	(1,732)
Social Protection (Welfare)	175	20	-	(155)
Aged Persons and Disabled	1,615	965	-	(650)
Childrens Services	4,531	4,002	-	(529)
Total Community Services & Education	8,111	5,045	-	(3,066)
Housing and Community Amenities				
Public Cemeteries	1,181	1,238	-	57
Public Conveniences	83	-	-	(83)
Street Lighting	1,017	164	-	(853)
Town Planning	4,175	1,894	2,797	516
Other Community Amenities	4	-	-	(4)
Total Housing and Community Amenities	6,460	3,296	2,797	(367)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Waverley Council

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

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	5,406	562	-	(4,844)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	-	-
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	3,588	759	38	(2,791)
Sporting Grounds and Venues	425	6	1,030	611
Swimming Pools	134	-	-	(134)
Parks & Gardens (Lakes)	5,918	643	220	(5,055)
Other Sport and Recreation	383	92	28	(263)
Total Recreation and Culture	15,854	2,062	1,316	(12,476)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	781	224	-	(557)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	781	224	-	(557)
Transport and Communication				
Urban Roads (UR) - Local	7,043	592	672	(5,779)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	9,564	22,669	-	13,105
Footpaths	2,633	-	3	(2,630)
Aerodromes	-	-	-	-
Other Transport & Communication	83	1,175	-	1,092
Total Transport and Communication	19,323	24,436	675	5,788
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	824	3,420	-	2,596
Total Economic Affairs	824	3,420	-	2,596
Totals – Functions	98,631	57,667	4,923	(36,041)
General Purpose Revenues⁽²⁾		31,267		31,267
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	98,631	88,934	4,923	(4,774)

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

Waverley Council

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

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	1,342	4,353	5,695	-	1,341	-	-	315	1,181	3,173	4,354
Other	4	18	22	-	4	-	-	-	4	14	18
Total Loans	1,346	4,371	5,717	-	1,345	-	-	315	1,185	3,187	4,372
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,346	4,371	5,717	-	1,345	-	-	315	1,185	3,187	4,372

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

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

Waverley Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2011

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General			
Water			
Sewer			
Domestic Waste Management	692	-	692
Gas			
Other			
Totals	692	-	692

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. & Int.)	Principal Outstanding at end of year
General Fund	Domestic Waste Management Fund	12/01/11	30/06/11	10	30/06/21	5.03%	691,722	-	691,722
Totals							691,722	-	691,722

Waverley Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	93,857	95,725	136,501	110,281	113,100
Expenses from continuing operations	98,631	102,844	107,858	112,003	115,478
Operating Result from Continuing Operations	<u>(4,774)</u>	<u>(7,119)</u>	<u>28,643</u>	<u>(1,722)</u>	<u>(2,378)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	8,684	3,525	4,649	22,916	14,676
Replacement/Refurbishment of Existing Assets	6,247	11,043	11,840	10,057	10,410
Total Capital Budget	<u>14,931</u>	<u>14,568</u>	<u>16,489</u>	<u>32,973</u>	<u>25,086</u>
Funded by:					
– Loans	-	-	-	3,906	-
– Asset sales	94	713	3,347	93	115
– Reserves	8,216	9,365	6,887	19,078	11,299
– Grants/Contributions	4,812	2,575	2,093	2,106	2,106
– Recurrent revenue	1,809	1,915	4,162	7,790	11,566
– Other	-	-	-	-	-
	<u>14,931</u>	<u>14,568</u>	<u>16,489</u>	<u>32,973</u>	<u>25,086</u>

Notes:

(1) From 10/11 Income Statement.

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

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

Waverley Council

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Your call will be directed to the appropriate area.