

Waverley Council Annual Financial Statements

for the financial year ending 30 June 2012



Incorporating:

- GENERAL PURPOSE FINANCIAL STATEMENTS
- SPECIAL PURPOSE FINANCIAL STATEMENTS
- SPECIAL SCHEDULES

Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*"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 2012

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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 17/10/12.
Council has the power to amend and reissue the financial statements.

Waverley Council

General Purpose Financial Statements

for the financial year ended 30 June 2012

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

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

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

More information

A review of Council's financial performance and position for the last 5 financial years can be found at Note 27 of the Financial Statements.

Waverley Council

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

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

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

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

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

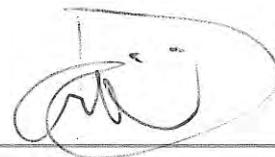
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 October 2012.



Clr Sally Betts
MAYOR



COUNCILLOR



Anthony Reed
GENERAL MANAGER



Ian Mead
RESPONSIBLE ACCOUNTING OFFICER

Waverley Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾				Actual	Actual
2012	\$ '000		Notes	2012	2011
Income from Continuing Operations					
Revenue:					
41,586	Rates & Annual Charges		3a	41,608	38,673
30,788	User Charges & Fees		3b	25,483	24,610
2,150	Interest & Investment Revenue		3c	3,054	3,016
11,753	Other Revenues		3d	19,002	16,418
8,015	Grants & Contributions provided for Operating Purposes		3e,f	6,641	5,979
720	Grants & Contributions provided for Capital Purposes		3e,f	4,914	4,923
Other Income:					
713	Net gains from the disposal of assets		5	-	238
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	-
95,725	Total Income from Continuing Operations			100,702	93,857
Expenses from Continuing Operations					
52,587	Employee Benefits & On-Costs		4a	48,500	47,966
291	Borrowing Costs		4b	246	327
15,508	Materials & Contracts		4c	15,762	16,232
11,700	Depreciation & Amortisation		4d	15,865	15,837
-	Impairment		4d	775	-
18,458	Other Expenses		4e	19,022	18,269
-	Net Losses from the Disposal of Assets		5	206	-
98,544	Total Expenses from Continuing Operations			100,376	98,631
(2,819)	Operating Result from Continuing Operations			326	(4,774)
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
(2,819)	Net Operating Result for the Year			326	(4,774)
(2,819)	Net Operating Result attributable to Council			326	(4,774)
-	Net Operating Result attributable to Minority Interests			-	-
(3,539)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(4,588)	(9,697)

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

Waverley Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		326	(4,774)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	5,214
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)	-	-
Total Other Comprehensive Income for the year		-	5,214
Total Comprehensive Income for the Year		326	440
Total Comprehensive Income attributable to Council		326	440
Total Comprehensive Income attributable to Minority Interests		-	-

Waverley Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	20,824	8,842	12,534
Investments	6b	19,344	25,000	22,887
Receivables	7	7,085	6,861	6,504
Inventories	8	118	160	164
Other	8	518	700	526
Non-current assets classified as 'held for sale'	22	18,240	-	-
Total Current Assets		66,129	41,563	42,615
Non-Current Assets				
Investments	6b	3,000	11,514	12,799
Receivables	7	2,124	3,202	2,666
Infrastructure, Property, Plant & Equipment	9	637,430	638,450	633,792
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	117,823	114,827	115,639
Intangible Assets	25	-	-	-
Non-current assets classified as 'held for sale'	22	26,715	44,955	44,955
Total Non-Current Assets		787,092	812,948	809,851
TOTAL ASSETS		853,221	854,511	852,466
LIABILITIES				
Current Liabilities				
Payables	10	11,039	10,770	9,517
Borrowings	10	1,289	1,185	1,346
Provisions	10	19,926	20,456	19,250
Total Current Liabilities		32,254	32,411	30,113
Non-Current Liabilities				
Borrowings	10	1,898	3,187	4,371
Provisions	10	485	655	644
Total Non-Current Liabilities		2,383	3,842	5,015
TOTAL LIABILITIES		34,637	36,253	35,128
Net Assets		818,584	818,258	817,338
EQUITY				
Retained Earnings	20	572,875	572,433	576,727
Revaluation Reserves	20	245,709	245,825	240,611
Council Equity Interest		818,584	818,258	817,338
Minority Equity Interest		-	-	-
Total Equity		818,584	818,258	817,338

Waverley Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		571,953	245,825	817,778	-	817,778
a. Correction of Prior Period Errors	20 (c)	480	-	480	-	480
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		572,433	245,825	818,258	-	818,258
c. Net Operating Result for the Year		326	-	326	-	326
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- 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		-	-	-	-	-
Total Comprehensive Income (c&d)		326	-	326	-	326
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		116	(116)	-	-	-
Equity - Balance at end of the reporting period		572,875	245,709	818,584	-	818,584

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council 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)	7,707	-	7,707	-	7,707
b. Changes in Accounting Policies (prior year effects)	20 (d)	(541,553)	-	(541,553)	-	(541,553)
Revised Opening Balance (as at 1/7/10)		577,207	240,611	817,818	-	817,818
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		572,433	245,825	818,258	-	818,258

Waverley Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
41,500	Rates & Annual Charges		41,460	38,766
30,749	User Charges & Fees		26,738	26,751
2,171	Investment & Interest Revenue Received		2,935	2,352
8,769	Grants & Contributions		11,765	10,137
-	Bonds, Deposits & Retention amounts received		1,844	2,291
11,666	Other		17,527	16,836
Payments:				
(48,456)	Employee Benefits & On-Costs		(49,681)	(46,875)
(20,990)	Materials & Contracts		(16,223)	(19,480)
(320)	Borrowing Costs		(262)	(346)
-	Bonds, Deposits & Retention amounts refunded		(1,589)	(1,604)
(17,924)	Other		(20,109)	(16,847)
<u>7,165</u>	Net Cash provided (or used in) Operating Activities	11b	<u>14,405</u>	<u>11,981</u>
Cash Flows from Investing Activities				
Receipts:				
7,678	Sale of Investment Securities		25,978	28,520
713	Sale of Infrastructure, Property, Plant & Equipment		53	94
-	Deferred Debtors Receipts		25	-
Payments:				
-	Purchase of Investment Securities		(11,439)	(29,000)
-	Purchase of Investment Property		-	(38)
(14,842)	Purchase of Infrastructure, Property, Plant & Equipment		(15,855)	(13,904)
<u>(6,451)</u>	Net Cash provided (or used in) Investing Activities		<u>(1,238)</u>	<u>(14,328)</u>
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(1,195)	Repayment of Borrowings & Advances		(1,185)	(1,345)
<u>(1,195)</u>	Net Cash Flow provided (used in) Financing Activities		<u>(1,185)</u>	<u>(1,345)</u>
(481)	Net Increase/(Decrease) in Cash & Cash Equivalents		11,982	(3,692)
12,770	plus: Cash & Cash Equivalents - beginning of year	11a	8,842	12,534
<u>12,289</u>	Cash & Cash Equivalents - end of the year	11a	<u>20,824</u>	<u>8,842</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	22,344	36,514
Total Cash, Cash Equivalents & Investments			<u>43,168</u>	<u>45,356</u>

Please refer to Note 11 for additional cash flow information

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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n/a - not applicable

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

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

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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).

Waverley Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and **(ii)** all the related operating results (for the financial year ended the 30th June 2012).

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

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

(i) The Consolidated Fund

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

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

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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;

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$20,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$50,000
Other Structures	> \$20,000

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

Transport Assets	
Road construction & reconstruction	> \$20,000

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	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).

(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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 June 2012.

(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.

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

This amortisation of the discount 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.

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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;
- 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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

Expected future payments are then discounted using market yields at the reporting date based on national

government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$4,407,837 at 30 June 2012.

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

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be

payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

(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.

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.

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 2012.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

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

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

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

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

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

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

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

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and

does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

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

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

AASB 13 was released in September 2011.

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

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

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

Applicable to Local Government but no implications for Council;

None

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

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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

None

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

(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 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Asset Management Services	6,847	10,524	6,671	16,780	16,708	20,192	(9,933)	(6,184)	(13,521)	2,058	2,006	624,480	623,574
Beach Services, Maintenance & Safety	359	469	604	2,912	2,945	2,861	(2,553)	(2,476)	(2,257)	5	3	33	141
Cemetery Services	1,194	1,284	1,321	1,122	1,047	1,183	72	237	138	-	-	24,041	23,858
Child Care Services	4,112	4,378	3,850	4,249	5,016	4,205	(137)	(638)	(355)	2,072	1,427	2,229	4,151
Community Services	706	763	781	1,871	1,869	1,851	(1,165)	(1,106)	(1,070)	609	644	27,512	29,832
Corporate Support Services	36,511	37,131	32,985	10,810	8,254	8,988	25,701	28,877	23,997	2,435	1,930	16,024	8,777
Cultural Services	418	441	490	2,583	3,045	2,929	(2,165)	(2,604)	(2,439)	39	82	-	34
Customer Services & Communication	17	17	22	1,078	1,070	1,230	(1,061)	(1,053)	(1,208)	-	-	-	-
Development, Building & Health Services	3,592	4,618	4,778	7,684	8,273	7,993	(4,092)	(3,655)	(3,215)	127	17	9,051	8,078
Emergency Management Services	-	35	42	125	135	89	(125)	(100)	(47)	-	-	836	25
Environmental Services	-	171	1,084	1,134	1,284	1,480	(1,134)	(1,113)	(396)	107	40	133	486
Governance, Integrated Planning & Community Engagement	71	61	70	4,412	4,283	4,218	(4,341)	(4,222)	(4,148)	-	-	-	-
Library Services	252	264	523	4,473	4,351	4,310	(4,221)	(4,087)	(3,787)	175	206	17,541	18,621
Parking Services	24,547	22,166	22,623	10,827	10,180	9,493	13,720	11,986	13,130	-	8	9,812	11,083
Parks Services & Maintenance	135	995	224	5,297	6,712	6,176	(5,162)	(5,717)	(5,952)	828	64	92,855	96,078
Place Management	964	1,124	959	1,375	1,231	1,157	(411)	(107)	(198)	24	21	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Recreation Services	39	47	258	721	836	686	(682)	(789)	(428)	-	197	-	73
Regulatory Services	1,307	1,671	1,789	1,069	1,473	1,414	238	198	375	-	-	-	-
Social & Affordable Housing	722	742	685	727	876	836	(5)	(134)	(151)	-	-	17,198	17,274
Traffic & Transport Services	-	-	-	12	27	161	(12)	(27)	(161)	-	-	-	969
Urban Open Space Maintenance & Access	-	2	129	3,644	5,173	3,444	(3,644)	(5,171)	(3,315)	-	126	28	252
Waste Services	13,932	13,799	13,969	15,639	15,588	13,735	(1,707)	(1,789)	234	118	467	11,448	11,205
Total Functions & Activities	95,725	100,702	93,857	98,544	100,376	98,631	(2,819)	326	(4,774)	8,597	7,238	853,221	854,511
Operating Result from Continuing Operations	95,725	100,702	93,857	98,544	100,376	98,631	(2,819)	326	(4,774)	8,597	7,238	853,221	854,511

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 2012

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 \$1million per annum.

Childcare Services

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

Community Services

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

Corporate Support Services

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

Cultural Services

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

Customer Services & Communication

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

Development, Building & Health Services

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

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

Waverley Council

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

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

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 2012

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 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		22,033	19,163
Business		8,334	7,425
Total Ordinary Rates		30,367	26,588
Special Rates			
Environmental		-	945
Total Special Rates		-	945
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		11,202	11,103
Section 611 Charges		39	37
Total Annual Charges		11,241	11,140
TOTAL RATES & ANNUAL CHARGES		41,608	38,673

Council has used 1/7/2009 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 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		2,010	1,908
Total User Charges		2,010	1,908
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Hoarding/Crane Permits		920	927
Planning & Building Regulation		1,618	1,627
Section 149 Certificates (EPA Act)		227	206
Section 603 Certificates		101	102
Total Fees & Charges - Statutory/Regulatory		2,866	2,862
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Admission & Service Fees		154	139
Bus Shelter Fees		1,209	1,163
Car Parking Fees		5,628	5,522
Car Parking Meter Income		6,795	6,800
Cemeteries		1,178	1,208
Child Care		2,301	2,463
Leaseback Fees - Council Vehicles		141	134
Park Rents		972	915
Restoration Charges		627	383
Road Opening Permits		98	160
Temporary Truck Zone Permit		820	396
Other		684	557
Total Fees & Charges - Other		20,607	19,840
TOTAL USER CHARGES & FEES		25,483	24,610

Waverley Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		104	79
- Interest earned on Investments (interest & coupon payment income)		2,581	2,838
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		369	99
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,054</u>	<u>3,016</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		104	79
General Council Cash & Investments		2,390	2,318
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		124	106
Domestic Waste Management operations		361	390
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		75	123
<u>Total Interest & Investment Revenue Recognised</u>		<u>3,054</u>	<u>3,016</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	2,996	-
Rental Income - Investment Properties	14	2,104	2,033
Rental Income - Other Council Properties		3,390	3,264
Ex Gratia Rates		20	17
Fines		108	232
Fines - Parking		9,404	10,043
Legal Fees Recovery - Rates & Charges (Extra Charges)		35	47
Legal Fees Recovery - Other		55	22
Insurance Claim Recoveries		127	123
Recycling Income (non domestic)		241	277
Sale of Abandoned Vehicles		14	4
Sales - General		10	8
Other		498	348
<u>TOTAL OTHER REVENUE</u>		<u>19,002</u>	<u>16,418</u>

Waverley Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,212	1,626	-	-
Financial Assistance - Local Roads Component	305	397	-	-
Pensioners' Rates Subsidies - General Component	207	198	-	-
Total General Purpose	2,724	2,221	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	118	127	-	-
Aged Care	-	4	-	-
Child Care	2,072	1,427	-	-
Community Care	609	644	-	-
Employment & Training Programs	21	17	-	-
Environmental Protection	107	379	825	64
Library	47	80	-	-
Library - per capita	128	126	-	-
Recreation & Culture	66	75	1,148	1,251
Street Lighting	168	164	-	-
Transport (Roads to Recovery)	-	-	203	193
Transport (Other Roads & Bridges Funding)	-	-	234	449
Other	127	17	-	-
Total Specific Purpose	3,463	3,060	2,410	1,957
Total Grants	6,187	5,281	2,410	1,957
Grant Revenue is attributable to:				
- Commonwealth Funding	4,461	2,833	1,028	1,768
- State Funding	1,526	2,293	960	189
- Other Funding	200	155	422	-
	6,187	5,281	2,410	1,957

Waverley Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	-	-	1,214	790
S 94A - Fixed Development Consent Levies	-	-	1,235	2,007
Total Developer Contributions	17	-	2,449	2,797
Other Contributions:				
Car Parking	221	207	-	-
Community Services	7	-	-	-
Drainage	3	11	-	-
Other Councils - Joint Works/Services	98	359	-	-
Recreation & Culture	31	-	55	-
Roads & Bridges	7	11	-	33
Other	87	110	-	136
Total Other Contributions	454	698	55	169
Total Contributions	454	698	2,504	2,966
TOTAL GRANTS & CONTRIBUTIONS	6,641	5,979	4,914	4,923

\$ '000	Actual 2012	Actual 2011
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(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	2,388	4,028
add: Grants & contributions recognised in the current period but not yet spent:	1,797	650
less: Grants & contributions recognised in a previous reporting period now spent:	(1,221)	(2,290)
Net Increase (Decrease) in Restricted Assets during the Period	576	(1,640)
Unexpended and held as Restricted Assets	2,964	2,388
Comprising:		
- Specific Purpose Unexpended Grants	297	511
- Developer Contributions	2,667	1,695
- Other Contributions	-	182
	2,964	2,388

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		34,502	34,683
Travelling		98	101
Employee Leave Entitlements (ELE)		6,611	5,977
Superannuation		4,625	4,756
Workers' Compensation Insurance		2,533	2,489
Fringe Benefit Tax (FBT)		189	261
Training Costs (other than Salaries & Wages)		298	275
Other		81	53
Total Employee Costs		48,937	48,595
less: Capitalised Costs		(437)	(629)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>48,500</u>	<u>47,966</u>
Number of "Equivalent Full Time" Employees at year end		569	557
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		2	2
Interest on Loans		236	315
Interest on Building Deposits		8	7
Other Debts		-	3
Total Interest Bearing Liability Costs		246	327
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		246	327
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>246</u>	<u>327</u>

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		8,426	7,774
Contractor & Consultancy Costs		15,551	14,635
Contractor & Consultancy Costs (Temporary Staff)		1,272	1,399
Auditors Remuneration ⁽¹⁾		53	50
Fuel & Gas		692	694
Infringement Notice Contract Costs (SEINS)		1,320	1,584
Legal Expenses:			
- Legal Expenses: Planning & Development		573	717
- Legal Expenses: Other		948	995
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		1,479	1,593
Total Materials & Contracts		30,314	29,441
less: Capitalised Costs		(14,552)	(13,209)
TOTAL MATERIALS & CONTRACTS		15,762	16,232
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		53	50
Remuneration for audit and other assurance services		53	50
Total Auditor Remuneration		53	50
2. Operating Lease Payments are attributable to:			
Buildings		424	283
Computers		314	434
Motor Vehicles		741	876
		1,479	1,593

Waverley Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,313	1,271
Office Equipment		-	-	405	413
Buildings - Non Specialised		-	-	2,211	2,167
Buildings - Specialised		775	-	2,815	2,803
Other Structures		-	-	702	745
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,980	6,995
- Stormwater Drainage		-	-	1,111	1,108
Other Assets					
- Library Books		-	-	199	208
- Other		-	-	129	127
Total Depreciation & Impairment Costs		775	-	15,865	15,837
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>775</u>	<u>-</u>	<u>15,865</u>	<u>15,837</u>

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		709	697
Abandonment of Fines by Office of State Debt Recovery		998	1,090
Bad & Doubtful Debts		858	32
Bank Charges		323	311
Car Park Levy		110	155
Cleaning		550	644
Computer Software Charges		749	741
Contributions/Levies to Other Levels of Government		290	76
- Department of Planning Levy		273	261
- Emergency Services Levy		66	61
- NSW Fire Brigade Levy		1,504	1,426
Councillor Expenses - Mayoral Fee		36	35
Councillor Expenses - Councillors' Fees		200	189
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		77	121
Donations, Contributions & Assistance to other organisations (Section 356)		578	514
Electricity & Heating		847	784
Family Day Care Subsidy		709	438
Insurance		1,252	1,429
Land Tax - Crown Land		581	336
Postage		204	164
Printing & Stationery		813	885
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	850
Street Lighting		1,028	985
Subscriptions & Publications		200	234
Telephone & Communications		235	235
Waste Disposal Charges		4,727	4,345
Water Rates & Charges		334	304
Other		866	1,082
Total Other Expenses		19,117	18,424
less: Capitalised Costs		(95)	(155)
TOTAL OTHER EXPENSES		19,022	18,269

Waverley Council

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

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	(58)
Net Gain/(Loss) on Disposal		-	(58)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		53	94
less: Carrying Amount of P&E Assets Sold / Written Off		(34)	(47)
Net Gain/(Loss) on Disposal		19	47
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(225)	-
Net Gain/(Loss) on Disposal		(225)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		25,978	28,520
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(25,978)	(28,271)
Net Gain/(Loss) on Disposal		-	249
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(206)	238
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	249
Net Gain/(Loss) on Disposal of Financial Instruments		-	249

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,513	-	1,325	-
Cash-Equivalent Assets ¹					
- Deposits at Call		5,311	-	4,017	-
- Short Term Deposits		14,000	-	3,500	-
Total Cash & Cash Equivalents		20,824	-	8,842	-
Investment Securities (Note 6b)					
- Long Term Deposits		12,000	3,000	24,000	9,000
- Growth Securities		2,778	-	-	2,514
- NCD's, FRN's (with Maturities > 3 months)		4,566	-	1,000	-
Total Investment Securities		19,344	3,000	25,000	11,514
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		40,168	3,000	33,842	11,514

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"

20,824	-	8,842	-
---------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"

- "Held for Trading"	6(b-i)	7,344	-	-	2,514
b. "Held to Maturity"	6(b-ii)	12,000	3,000	25,000	9,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		19,344	3,000	25,000	11,514

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	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	-	2,514	933	4,799
Revaluations (through the Income Statement)	369	-	-	99
Additions	4,461	-	-	-
Disposals (sales & redemptions)	-	-	(933)	(2,384)
Transfers between Current/Non Current	2,514	(2,514)	-	-
Balance at End of Year	7,344	-	-	2,514
Comprising:				
- Growth Security	2,778	-	-	2,514
- NCD's, FRN's (with Maturities > 3 months)	4,566	-	-	-
Total	7,344	-	-	2,514
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	25,000	9,000	21,954	8,000
Additions	6,978	-	24,000	5,000
Disposals (sales & redemptions)	(25,978)	-	(21,954)	(3,000)
Transfers between Current/Non Current	6,000	(6,000)	1,000	(1,000)
Balance at End of Year	12,000	3,000	25,000	9,000
Comprising:				
- Long Term Deposits	12,000	3,000	24,000	9,000
- NCD's, FRN's (with Maturities > 3 months)	-	-	1,000	-
Total	12,000	3,000	25,000	9,000
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 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	40,168	3,000	33,842	11,514
attributable to:				
External Restrictions (refer below)	6,450	3,000	5,429	3,905
Internal Restrictions (refer below)	27,491	-	25,372	7,609
Unrestricted	6,227	-	3,041	-
	40,168	3,000	33,842	11,514

2012 \$ '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)	1,695	2,155	(1,183)	2,667
Specific Purpose Unexpended Grants (F)	511	-	(214)	297
Domestic Waste Management (G)	6,746	1,050	(1,443)	6,353
Environmental Levy	200	-	(67)	133
Other	182	-	(182)	-
External Restrictions - Other	9,334	3,205	(3,089)	9,450
Total External Restrictions	9,334	3,205	(3,089)	9,450

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 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,690	384	(524)	1,550
Employees Leave Entitlement	4,222	927	(837)	4,312
Carry Over Works	639	16	(390)	265
Deposits, Retentions & Bonds	6,383	255	-	6,638
Office Equipment	568	384	(157)	795
Sale of Properties	62	-	(62)	-
Insurance Claims	200	-	-	200
Parking Meters	2,459	-	-	2,459
Parking - Off-Street	894	150	(14)	1,030
Street Tree (Sewer) Aerial Building	252	-	-	252
Affordable Housing	897	111	-	1,008
Social Housing	120	46	-	166
Future Capital Works	7,901	1,444	(5,317)	4,028
Unexpended Loans	188	-	-	188
Cemetery Funds	1,220	281	-	1,501
Investment Strategy	3,547	-	(2,408)	1,139
Other	1,739	1,500	(1,279)	1,960
Total Internal Restrictions	32,981	5,498	(10,988)	27,491
TOTAL RESTRICTIONS	42,315	8,703	(14,077)	36,941

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		652	198	512	190
Interest & Extra Charges		105	82	117	55
User Charges & Fees		819	45	524	42
Accrued Revenues					
- Interest on Investments		676	-	941	-
- Other Income Accruals		590	-	541	-
Government Grants & Subsidies		205	-	452	-
Deferred Debtors		32	51	25	83
Net GST Receivable		376	-	450	-
Other Levels of Government		-	-	67	-
Parking Fines		3,626	3,769	3,182	4,053
Other Debtors		135	-	131	1
Total		7,216	4,145	6,942	4,424
less: Provision for Impairment					
User Charges & Fees		(131)	-	(78)	-
Parking Fines		-	(2,021)	-	(1,221)
Other Debtors		-	-	(3)	(1)
Total Provision for Impairment - Receivables		(131)	(2,021)	(81)	(1,222)
<u>TOTAL NET RECEIVABLES</u>		<u>7,085</u>	<u>2,124</u>	<u>6,861</u>	<u>3,202</u>
Externally Restricted Receivables					
Domestic Waste Management		409	117	451	-
Other					
- Environmental Levy		-	-	8	-
Total External Restrictions		409	117	459	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		6,676	2,007	6,402	3,202
TOTAL NET RECEIVABLES		7,085	2,124	6,861	3,202

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Waverley Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011		
		Current	Non Current	Current	Non Current	
Inventories						
Stores & Materials		118	-	160	-	
Total Inventories		118	-	160	-	
Other Assets						
Prepayments		518	-	700	-	
Total Other Assets		518	-	700	-	
TOTAL INVENTORIES / OTHER ASSETS		636	-	860	-	

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period					as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	WIP Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	7,703	-	-	-	7,703	4,111	-	-	-	(5,966)	5,848	-	-	-	5,848
Plant & Equipment	-	12,607	7,598	-	5,009	753	(34)	(1,313)	-	-	-	13,217	8,802	-	4,415
Office Equipment	-	9,279	7,787	-	1,492	444	-	(405)	-	-	-	9,723	8,192	-	1,531
Land:															
- Operational Land	-	48,880	-	-	48,880	-	-	-	-	-	-	48,880	-	-	48,880
- Community Land	-	144,087	-	-	144,087	1,748	-	-	-	-	-	145,835	-	-	145,835
Buildings - Non Specialised	-	76,866	26,485	-	50,381	418	-	(2,211)	-	-	-	77,284	28,696	-	48,588
Buildings - Specialised	-	74,237	40,980	-	33,257	5,413	-	(2,815)	(775)	5,586	-	85,237	44,571	-	40,666
Other Structures	-	27,554	10,971	-	16,583	147	-	(702)	-	90	-	27,792	11,674	-	16,118
Infrastructure:															
- Roads, Bridges, Footpaths	-	413,541	161,602	-	251,939	2,604	(225)	(6,980)	-	141	-	415,996	168,517	-	247,479
- Stormwater Drainage	-	110,714	36,060	-	74,654	90	-	(1,111)	-	149	-	110,952	37,170	-	73,782
Other Assets:															
- Library Books	-	5,900	4,877	-	1,023	151	-	(199)	-	-	-	6,051	5,076	-	975
- Other	-	4,595	1,153	-	3,442	-	-	(129)	-	-	-	4,595	1,282	-	3,313
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	7,703	928,260	297,513	-	638,450	15,879	(259)	(15,865)	(775)	-	5,848	945,562	313,980	-	637,430

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$3.52M) and New Assets (\$9.26M). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Waverley Council

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

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	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	-	7,567	5,285	2,282	-	7,394	4,359	3,035
Total DWM	-	7,567	5,285	2,282	-	7,394	4,359	3,035
TOTAL RESTRICTED I,PP&E	-	7,567	5,285	2,282	-	7,394	4,359	3,035

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

\$ '000	Notes	Actual 2012	Actual 2011
Impairment Losses recognised in the Income Statement include:			
Boot Factory building is not fit for purpose & in poor structural condition.		(775)	-
Total Impairment Losses		(775)	-
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	(775)	-

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,318	-	2,513	-
Goods & Services - capital expenditure		191	-	585	-
Payments Received In Advance		380	-	391	-
Accrued Expenses:					
- Borrowings		44	-	60	-
- Salaries & Wages		-	-	208	-
- Other Expenditure Accruals		430	-	592	-
Builders Deposits		5,671	-	5,394	-
Security Bonds, Deposits & Retentions		967	-	989	-
Other		38	-	38	-
Total Payables		11,039	-	10,770	-
Borrowings					
Loans - Secured ¹		1,289	1,898	1,185	3,187
Total Borrowings		1,289	1,898	1,185	3,187
Provisions					
Employee Benefits;					
Annual Leave		4,571	-	4,440	-
Sick Leave		2,880	-	2,576	-
Long Service Leave		9,026	485	9,197	655
Gratuities		3,196	-	4,055	-
Time Off in Lieu		253	-	188	-
Sub Total - Aggregate Employee Benefits		19,926	485	20,456	655
Total Provisions		19,926	485	20,456	655
Total Payables, Borrowings & Provisions		32,254	2,383	32,411	3,842

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	259	-	585	-
Environmental Levy	-	-	16	-
Liabilities relating to externally restricted assets	259	-	601	-
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	259	-	601	-

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 2012

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

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	13,998	13,956
Payables - Security Bonds, Deposits & Retentions	4,367	4,149
	18,365	18,105

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	4,440	2,885	(2,754)	-	-	4,571
Sick Leave	2,576	1,718	(1,414)	-	-	2,880
Long Service Leave	9,852	1,708	(2,049)	-	-	9,511
Gratuities	4,055	235	(1,094)	-	-	3,196
Other Leave	188	65	-	-	-	253
TOTAL	21,111	6,611	(7,311)	-	-	20,411

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	20,824	8,842
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		20,824	8,842
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		326	(4,774)
Adjust for non cash items:			
Depreciation & Amortisation		15,865	15,837
Net Losses/(Gains) on Disposal of Assets		206	(238)
Non Cash Capital Grants and Contributions		(418)	(770)
Impairment Losses Recognition - I,PP&E		775	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(369)	(99)
- Investment Properties		(2,996)	850
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(20)	(910)
Increase/(Decrease) in Provision for Doubtful Debts		849	17
Decrease/(Increase) in Inventories		42	4
Decrease/(Increase) in Other Assets		182	(174)
Increase/(Decrease) in Payables		805	401
Increase/(Decrease) in accrued Interest Payable		(16)	(19)
Increase/(Decrease) in other accrued Expenses Payable		(370)	(149)
Increase/(Decrease) in Other Liabilities		244	788
Increase/(Decrease) in Employee Leave Entitlements		(700)	1,217
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		14,405	11,981

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
S94 Contributions "in kind"		418	770
Total Non-Cash Investing & Financing Activities		418	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		25	27
Total Financing Arrangements		275	277

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 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(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		937	5,756
Infrastructure		1,086	433
Total Commitments		2,023	6,189
These expenditures are payable as follows:			
Within the next year		2,023	6,189
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		2,023	6,189
Sources for Funding of Capital Commitments:			
Future Grants & Contributions		165	-
Sect 64 & 94 Funds/Reserves		28	-
Internally Restricted Reserves		1,830	6,189
Total Sources of Funding		2,023	6,189

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)**a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:**

Within the next year		481	814
Later than one year and not later than 5 years		353	572
Later than 5 years		10	42
Total Non Cancellable Operating Lease Commitments		844	1,428

b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles - \$682, and IT equipment - \$162

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.

Waverley Council

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

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>59,270</u>	4.35 : 1	2.60	2.87
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>13,630</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,423</u>	1.55%	1.95%	2.09%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>91,871</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>41,608</u>	41.32%	41.20%	39.74%
Income from Continuing Operations	<u>100,702</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,037</u>	2.43%	2.20%	2.54%
Rates, Annual & Extra Charges Collectible	<u>42,621</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>3,522</u>	25.35%	40.04%	68.75%
Depreciation, Amortisation & Impairment	<u>13,892</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Waverley Council

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

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.01</td> </tr> <tr> <td>2010</td> <td>2.87</td> </tr> <tr> <td>2011</td> <td>2.60</td> </tr> <tr> <td>2012</td> <td>4.35</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.01	2010	2.87	2011	2.60	2012	4.35	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 4.35 : 1</p> <p>A ratio of 4.32:1 indicates that Waverley Council has sufficient liquid assets on hand to meet its current liabilities as they fall due, favourably compares with the 2009/10 NSW Council average of 2.71 :1.</p>
Year	Ratio : 1											
2009	3.01											
2010	2.87											
2011	2.60											
2012	4.35											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.60%</td> </tr> <tr> <td>2010</td> <td>2.09%</td> </tr> <tr> <td>2011</td> <td>1.95%</td> </tr> <tr> <td>2012</td> <td>1.55%</td> </tr> </tbody> </table>	Year	Ratio %	2009	2.60%	2010	2.09%	2011	1.95%	2012	1.55%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 1.55%</p> <p>A ratio of 1.55% 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 5%.</p>
Year	Ratio %											
2009	2.60%											
2010	2.09%											
2011	1.95%											
2012	1.55%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>44.20%</td> </tr> <tr> <td>2010</td> <td>39.74%</td> </tr> <tr> <td>2011</td> <td>41.20%</td> </tr> <tr> <td>2012</td> <td>41.32%</td> </tr> </tbody> </table>	Year	Ratio %	2009	44.20%	2010	39.74%	2011	41.20%	2012	41.32%	<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 2011/12 Result</p> <p>2011/12 Ratio 41.32%</p> <p>This ratio shows that the majority of Waverley Council's revenue is from non-rates sources. The 2009/10 average for NSW Councils was 47.3%.</p>
Year	Ratio %											
2009	44.20%											
2010	39.74%											
2011	41.20%											
2012	41.32%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.68%</td> </tr> <tr> <td>2010</td> <td>2.54%</td> </tr> <tr> <td>2011</td> <td>2.20%</td> </tr> <tr> <td>2012</td> <td>2.43%</td> </tr> </tbody> </table>	Year	Ratio %	2009	2.68%	2010	2.54%	2011	2.20%	2012	2.43%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.43%</p> <p>This measure at 2.43% reflects that Waverley Council continues to maintain its excellent collection of rates based debt and compares favourable with the 2009/10 NSW Council average of 5.31%</p>
Year	Ratio %											
2009	2.68%											
2010	2.54%											
2011	2.20%											
2012	2.43%											
<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> <tr> <td>2012</td> <td>25.35%</td> </tr> </tbody> </table>	Year	Ratio %	2009	77.08%	2010	68.75%	2011	40.04%	2012	25.35%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 25.35%</p> <p>Council Building & Infrastructure renewals ratio is 25.35%, this ratio does not taking into account of expenditure spent on a replacement of existing asset that increase capacity/performance, where Council has spent \$8.8m on in 2011/12.</p>
Year	Ratio %											
2009	77.08%											
2010	68.75%											
2011	40.04%											
2012	25.35%											

Waverley Council

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

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
Investment Properties on Hand		117,823	114,827
Reconciliation of Annual Movement:			
Opening Balance		114,827	115,639
- Capitalised Expenditure - this year		-	13
- Net Gain/(Loss) from Fair Value Adjustments		2,996	(850)
- Transfers from/(to) Owner Occupied (Note 9)		-	25
CLOSING BALANCE - INVESTMENT PROPERTIES		117,823	114,827
(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 2012 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		1,916	1,862
Later than 1 year but less than 5 years		4,161	5,494
Later than 5 years		-	389
Total Minimum Lease Payments Receivable		6,077	7,745
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		2,104	2,033
- Other Income		2,796	3,220
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(1,712)	(1,609)
- that did not generate rental income		(203)	(400)
Net Revenue Contribution from Investment Properties		2,985	3,244
plus:			
Fair Value Movement for year		2,996	(850)
Total Income attributable to Investment Properties		5,981	2,394

Waverley Council

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

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	20,824	8,842	20,824	8,842
Investments				
- "Held for Trading"	7,344	2,514	7,344	2,514
- "Held to Maturity"	15,000	34,000	15,000	34,000
Receivables	9,209	10,063	9,209	10,063
Total Financial Assets	52,377	55,419	52,377	55,419
Financial Liabilities				
Payables	10,659	10,379	10,659	10,379
Loans / Advances	3,187	4,372	3,187	4,372
Total Financial Liabilities	13,846	14,751	13,846	14,751

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 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	2,778	-	-	2,778
Total Financial Assets	2,778	-	-	2,778
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

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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.

2012	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	278	278	(278)	(278)
Possible impact of a 1% movement in Interest Rates	386	386	(386)	(386)
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)

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	653	4,059	-	5,720
Overdue	197	6,452	702	4,944
	<u>850</u>	<u>10,511</u>	<u>702</u>	<u>10,664</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			1,303	1,286
+ new provisions recognised during the year			858	32
- amounts already provided for & written off this year			(9)	(15)
Balance at the end of the year			<u>2,152</u>	<u>1,303</u>

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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		
2012									
Trade/Other Payables	6,638	4,021	-	-	-	-	-	10,659	10,659
Loans & Advances	-	1,289	794	635	331	138	-	3,187	3,187
Total Financial Liabilities	6,638	5,310	794	635	331	138	-	13,846	13,846
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

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,659	0.0%	10,379	0.0%
Loans & Advances - Fixed Interest Rate	3,187	6.0%	4,372	6.0%
	<u>13,846</u>		<u>14,751</u>	

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

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

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	41,586	41,608	22	0%	F
User Charges & Fees	30,788	25,483	(5,305)	(17%)	U
Income from Properties Rental and Outdoor seating (\$5.26m) was included in User Charges & Fees in the original budget, while they are classified as "Other Revenue" at here. This classification misalignment between the original budget the Annual Financial Statements is also showing on the Other Revenues below.					
Interest & Investment Revenue	2,150	3,054	904	42%	F
Council received interest revenue of \$3.054m which was \$904k better than the original budget. This is increase in revenue is largely due to better interest rates being received for Council's short and long term deposit, along with a larger portfolio being held for the majority of the year than originally anticipated, together with an upward movement in the investment fair valuation by \$365k.					
Other Revenues	11,753	19,002	7,249	62%	F
This big favourable variation is mainly resulted from an upwad revaluation of our investment properties by \$3m in 2011/12, and the misclassification on the properties rental income in the original budget, was grouped in the above User Charges & Fees revenue line.					
Operating Grants & Contributions	8,015	6,641	(1,374)	(17%)	U
Income item from developer contributions (s94) is grouped into Operating Grants & Contributions in the original budget, while it is classified as Capital Contributions at here. This classification misalignment in the original budget is also showing at the below Capital Grants & Contribution line.					

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
REVENUES (continued)					
Capital Grants & Contributions	720	4,914	4,194	583%	F
This huge favourable variance is mainly resulted by the following items:					
1. \$1.15m grant income were anticipated in 2010/11 but received in 2011/12 due to the delay in the construction of the New childcare centre and Waverley Pavilion projects.					
2. a new grant money of \$807k for the Bondi Park stormwater harvesting project was not anticipated when developing the original budget.					
3. A classification misalignment in the original budget that grouped Developer Contribution (\$94) to the Operating Grants & Contributions, as shown above.					
Net Gains from Disposal of Assets	713	-	(713)	(100%)	U
Council originally estimated a gain from the disposal of Plant & Equipment (P&E) assets of \$713k for the 2011/12 financial year. Because majority of the plants have not being replaced during the 2011/12 as was originally planned.					
EXPENSES					
Employee Benefits & On-Costs	52,587	48,500	4,087	8%	F
Borrowing Costs	291	246	45	15%	F
The original budget has included interest payment on an internal loan borrowed from Domestic Waste Management, while the intra-company transaction has been eliminated at here.					
Materials & Contracts	15,508	15,762	(254)	(2%)	U
Depreciation & Amortisation	11,700	15,865	(4,165)	(36%)	U
Depreciation expense increased by \$4.164m. This was mainly due to the revaluation of Council's infrastructure assets in recent years, which increased the book value of our infrastructure assets substantially and consequently so did to the depreciation expenses. At the time of developing the 2011/12 budget, the full impact on the depreciaton expense from the fair valuation process has not yet known, hence the anticipated increase in this expense item could not be estimated at that time.					
Impairment Expenses	-	775	(775)	0%	U
Other Expenses	18,458	19,022	(564)	(3%)	U
Net Losses from Disposal of Assets	-	206	(206)	0%	U

Waverley Council

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

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	7,165	14,405	7,240	101.0%	F
Number of grants (like from the new childcare centre and bondi park stormwater capital projects) and the advanced payment of revenue sharing grant are not anticipated in the original budget. Cash receipts from Other revenue is better than originally anticipated.					
Cash Flows from Investing Activities	(6,451)	(1,238)	5,213	(80.8%)	F
This variance is largely due to Investment Securities. When the original budget was developing, we budgeted the net movement of the Investment securities where it represents an increase or reduction of Council's Investment, Cash & Cash Equivalents holding as at 30 June. The actual reduction on Council's Investment & Cash holding is lower than originally forecasted, as Operating Revenue is better than originally anticipated. And also due to projects not being completed in 2011/12 as originally anticipated.					
Cash Flows from Financing Activities	(1,195)	(1,185)	10	(0.8%)	F

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
S94 Contributions - under a Plan	-	-	-	-	-	-	-	-	-	-	-
S94A Levies - under a Plan	-	1,235	-	124	(892)	-	467	4,205	(80,315)	(76,110)	-
Total S94 Revenue Under Plans	-	1,235	-	124	(892)	-	467				-
S93F Planning Agreements	1,695	796	418	-	(291)	-	2,200	404	-	2,604	
Total Contributions	1,695	2,031	418	124	(1,183)	-	2,667	-	-	-	-

S94A LEVIES - UNDER A PLAN

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	
Roads	-	1,235	-	124	(892)	-	467	-	-		-
Total	-	1,235	-	124	(892)	-	467				-

Waverley Council

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

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

(ii) StateCover Limited

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

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

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

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

(iii) 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 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

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 Council's intention to spend funds in the manner and timing set out in those Plans.

(ii) 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.

(iii) 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 2012

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 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		571,953	1,111,053
a. Correction of Prior Period Errors	20 (c)	480	7,707
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	(541,553)
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		326	(4,774)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		116	-
Balance at End of the Reporting Period		<u>572,875</u>	<u>572,433</u>

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	245,709	245,825
Total	<u>245,709</u>	<u>245,825</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	245,825	240,611
- Revaluations for the year	9(a) -	5,214
- Transfer to Retained Earnings for Asset disposals	(116)	-
- Balance at End of Year	<u>245,709</u>	<u>245,825</u>

TOTAL VALUE OF RESERVES

<u>245,709</u>	<u>245,825</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 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
<p>Council identified one residential unit from s94 dedication had not be recognised as being owned by Council. This resulted in the carrying value for the Building-Non-Specialised asset class being under stated. To correct this error the opening balance for the Infrastructure, Property, Plant & Equipment (IPP&E) has been increased. This adjustment has resulted in an increase to the opening 1 July 2010 Retained Earnings Balance.</p>		480	
Correction of errors as disclosed in last year's financial statements:			
<p>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 over stated. 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.</p>			
<p>- Decrease 1 July 2009 Opening Balance.</p> <ul style="list-style-type: none"> - Retained Earnings - IPP&E (Community Land) 			(1,047)
<p>Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;</p>			
<p>- Other Structures decrease to accumulated depreciation</p>			8,274
<p>This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.</p>			
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:			
<p>- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)</p>		480	7,227
Total Prior Period Adjustments - Prior Period Errors		480	7,227

Waverley Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
d. Voluntary Changes in Accounting Policies			
Adjustments as disclosed in last year's financial statements:			
<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)			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10		-	(541,553)
(relating to adjustments for the 30/6/10 reporting year end and prior periods)			
Total Prior Period Adjustments - Accounting Policy Changes		-	(541,553)

Waverley Council

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

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	18,240	21,480	-	39,720
Buildings	-	5,235	-	5,235
Total Non Current Assets "Held for Sale"	18,240	26,715	-	44,955
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>18,240</u>	<u>26,715</u>	<u>-</u>	<u>44,955</u>

Note:

Proceeds from above asset sale are internally restricted to capital works projects including new/replacement Council Depot.

\$ '000	Disposal Groups		Assets "Held for Sale"	
	2012	2011	2012	2011
(ii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	-	-	44,955	44,955
less: Carrying Value of Assets/Operations Sold	-	-	-	-
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 2012

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 17/10/12.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

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

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

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 2012

Note 27. Financial Review

\$ '000

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

Financial Performance Figures	2012	2011	2010	2009	2008
Inflows:					
Rates & Annual Charges Revenue	41,608	38,673	36,737	35,715	34,817
User Charges Revenue	25,483	24,610	23,657	21,979	25,035
Interest & Investment Revenue (Losses)	3,054	3,016	2,274	2,368	(103)
Grants Income - Operating & Capital	8,597	7,238	6,238	7,807	6,457
Total Income from Continuing Operations	100,702	93,857	92,437	80,889	119,993
Sale Proceeds from I,PP&E	53	94	1,783	26	807
New Loan Borrowings & Advances	-	-	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	48,500	47,966	46,949	43,416	39,985
Borrowing Costs	246	327	401	489	577
Materials & Contracts Expenses	15,762	16,232	19,188	18,911	17,866
Total Expenses from Continuing Operations	100,376	98,631	91,542	87,798	79,030
Total Cash purchases of I,PP&E	15,855	13,904	10,529	11,777	12,808
Total Loan Repayments (incl. Finance Leases)	1,185	1,345	1,377	1,421	1,467
Operating Surplus/(Deficit) (excl. Capital Income)	(4,588)	(9,697)	(3,101)	(11,181)	36,769
Financial Position Figures	2012	2011	2010	2009	2008
Current Assets	66,129	41,563	42,615	42,865	48,002
Current Liabilities	32,254	32,411	30,113	28,550	28,430
Net Current Assets	33,875	9,152	12,502	14,315	19,572
Available Working Capital (Unrestricted Net Current Assets)	26,638	5,503	4,174	4,211	3,667
Cash & Investments - Unrestricted	6,227	3,041	1,045	300	2,063
Cash & Investments - Internal Restrictions	27,491	32,981	36,245	35,629	39,234
Cash & Investments - Total	43,168	45,356	48,220	48,186	49,773
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	3,187	4,372	5,717	7,094	8,515
Total Value of I,PP&E (excl. Land & Earthworks)	756,695	742,996	722,347	512,946	511,909
Total Accumulated Depreciation	313,980	297,513	279,719	207,793	200,254
Indicative Remaining Useful Life (as a % of GBV)	59%	60%	61%	59%	61%

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

Waverley Council

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

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

Ian Mead

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 Angela Burrill

Clr Andrew Cusack

Clr Paula Masselos

Clr Tony Kay

Clr Bill Mouroukas

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

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 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 18th day of October 2012

18 October 2012

The Mayor
Waverley Council
PO Box 9
BONDI JUNCTION NSW 2022

Mayor,

Audit Report - Year Ended 30 June 2012

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

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$326,000 as compared with a deficit of \$4.774 million 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.

	2012 \$000	% of Total	2011 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	41,608	43%	38,673	43%	2,935
User charges, fees & other revenues	44,485	46%	41,266	46%	3,219
Grants & contributions provided for operating purposes	6,641	7%	5,979	7%	662
Interest & investment revenue	3,054	3%	3,016	3%	38
	95,788	100%	88,934	100%	6,854
Expenses					
Employee benefits & costs	48,500	48%	47,966	49%	534
Materials, contracts & other expenses	34,990	35%	34,501	35%	489
Depreciation, amortisation & impairment	16,640	17%	15,837	16%	803
Borrowing costs	246	0%	327	0%	(81)
	100,376	100%	98,631	100%	1,745
Surplus/(Deficit) before capital items	(4,588)		(9,697)		5,109
Grants & contributions provided for capital purposes	4,914		4,923		(9)
Net Surplus/(Deficit) for the year	326		(4,774)		5,100

The table above shows an overall increase over the previous year of \$5.100 million and can largely be attributed to the increase in the value of investment properties of \$2.996 million compared to a decrease of \$850,000 in the previous year. Rates income increased by \$2.935 million, or 7.6%, from the previous year.

1.2 Funding Result

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

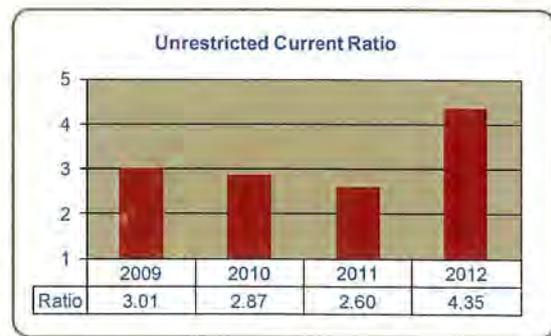
	2012	2011
<i>Funds were provided by:-</i>	\$000	\$000
Operating Result (as above)	326	(4,774)
Add back non funding items:-		
- Depreciation, amortisation & impairment	16,640	15,837
- Book value of non current assets sold	259	105
- (Gain)Loss of fair value to investment properties	(2,996)	850
	14,229	12,018
Decrease/Redemption in Non-Current Investments	8,514	1,285
Transfers from internal reserves (net)	0	5,129
Repayments from deferred debtors	25	0
Net Changes in current/non-current assets & liabilities	18,841	1,441
	41,609	19,873
<i>Funds were applied to:-</i>		
Purchase and construction of assets	(15,879)	(14,944)
Principal repaid on loans	(1,185)	(1,345)
Transfers to externally restricted assets (net)	(1,313)	(1,168)
Transfers to internal reserves (net)	(20,359)	0
Advances to deferred debtors	0	(98)
	(38,736)	(17,555)
Increase/(Decrease) in Available Working Capital	2,873	2,318

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 \$45.640 million representing a factor of 4.35 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 \$9.365 million as detailed below;

	2012	2011	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	33,875	9,152	24,723
Add: Payables & provisions not expected to be realised in the next 12 months included above	18,365	18,105	260
Adjusted Net Current Assets	52,240	27,257	24,983
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,289	1,185	104
- Employees leave entitlements	5,928	6,500	(572)
- Deposits & retention moneys	2,271	2,234	37
- Deferred debtors	(32)	(25)	(7)
Less: Externally restricted assets	(6,600)	(5,287)	(1,313)
Less: Internally restricted assets	(45,731)	(25,372)	(20,359)
Available Working Capital as at 30 June	9,365	6,492	2,873

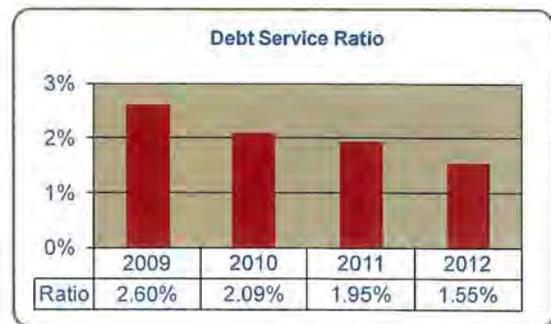
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2012 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.55%.

Principal and interest paid during the year was \$1.423 million leaving total debt as at 30 June 2012 at \$3.187 million (2011 - \$4.372 million).



2.4 Summary

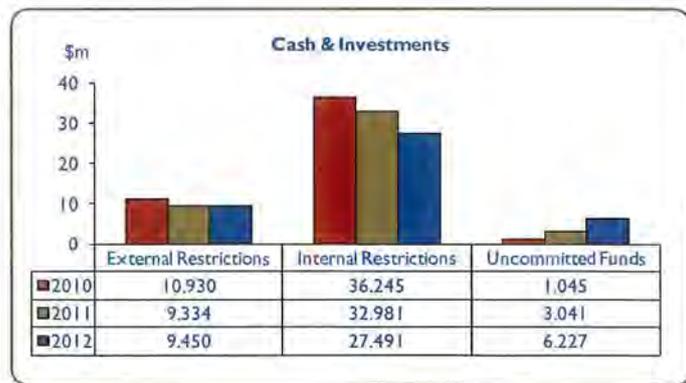
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments securities totalled \$43.168 million at the close of the year as compared with \$45.356 million in 2010 and \$48.220 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 \$2.667 million, domestic waste management charges of \$6.353 million and specific purpose grants and environmental levies of \$430,000.

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 \$27.491 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$6.227 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 increased by \$11.982 million to \$20.824 million at the close of the year.

In addition to operating activities which contributed net cash of \$14.405 million were the proceeds from the redemption of investment securities (\$25.978 million), sale of assets (\$53,000) and receipts from deferred debtors (\$25,000). Cash outflows other than operating activities were used to repay loans (\$1.185 million), purchase investment securities (\$11.439 million) and to purchase and construct assets (\$15.855 million).

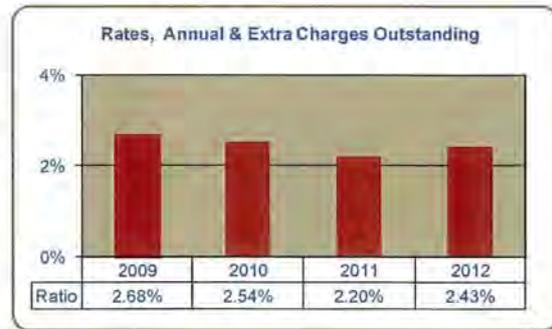
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$41.608 million. Including arrears, the total rates and annual charges collectible was \$42.310 million of which \$41.460 million (98%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.037 million at the end of the year and represented 2.43% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$10.324 million and included parking fines of \$7.395 million.

Those considered to be uncertain of collection have been provided for as doubtful debts amounting to \$2.152 million of which unpaid parking fines accounted for \$2.021 million.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$20.411 million.

Internally restricted cash and investments of \$4.312 million was held representing 21% 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 \$6.638 million and were fully funded by internally restricted cash and investments.

6. MANAGEMENT LETTER

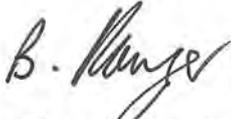
An audit management letter addressing the findings from our interim audit was issued on 14 March 2012 and this included our recommendations on possible ways to strengthen and/or improve procedures.

7. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*"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 2012

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	n/a
- Income Statement of Sewerage Business Activity	n/a
- Income Statement of Other Business Activities	3
- Balance Sheet of Water Supply Business Activity	n/a
- Balance Sheet of Sewerage Business Activity	n/a
- Balance Sheet of Other Business Activities	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 2012

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 16 October 2012.



Clr Sally Betts
MAYOR



COUNCILLOR



Anthony Reed
GENERAL MANAGER



Ian Mead
RESPONSIBLE ACCOUNTING OFFICER

Waverley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Income from continuing operations				
Access charges	-	-	-	-
User charges	5,965	5,823	2,004	1,902
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	110
Total income from continuing operations	5,965	5,823	2,004	2,012
Expenses from continuing operations				
Employee benefits and on-costs	627	618	915	912
Borrowing costs	-	-	-	-
Materials and contracts	931	860	43	13
Depreciation and impairment	54	54	3	2
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	849	1,460	838	947
Total expenses from continuing operations	2,461	2,992	1,799	1,874
Surplus (deficit) from Continuing Operations before capital amounts	3,504	2,831	205	138
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	3,504	2,831	205	138
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	3,504	2,831	205	138
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,051)	(849)	(62)	(41)
SURPLUS (DEFICIT) AFTER TAX	2,453	1,982	144	97
plus Opening Retained Profits	110,349	111,440	(18)	(347)
plus/less: Prior Period Adjustments	-	-	-	336
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,051	849	62	41
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(663)	(3,922)	(110)	(145)
Closing Retained Profits	113,190	110,349	77	(18)
Return on Capital %	3337.1%	2550.5%	247.0%	146.8%
Subsidy from Council	-	-	-	-

Waverley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Cemetery

Category 2

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	1,178	1,208
Fees	-	-
Interest	75	83
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	30	30
Total income from continuing operations	1,283	1,321
Expenses from continuing operations		
Employee benefits and on-costs	620	622
Borrowing costs	-	-
Materials and contracts	294	434
Depreciation and impairment	44	44
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	98	81
Total expenses from continuing operations	1,056	1,181
Surplus (deficit) from Continuing Operations before capital amounts	227	140
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	227	140
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	227	140
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(68)	(42)
SURPLUS (DEFICIT) AFTER TAX	159	98
plus Opening Retained Profits	36,304	36,164
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	68	42
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(290)	-
Closing Retained Profits	36,241	36,304
Return on Capital %	0.7%	0.4%
Subsidy from Council	829	6,965

Waverley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	45	60	140	105
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	45	60	140	105
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	105	111	83	94
Investments accounted for using equity method	-	-	-	-
Investment property	113,291	110,599	-	-
Other	-	-	-	-
Total Non-Current Assets	113,396	110,710	83	94
TOTAL ASSETS	113,441	110,770	223	199
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	74	76	86	157
Interest bearing liabilities	-	-	-	-
Provisions	100	268	60	60
Total Current Liabilities	174	344	146	217
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	174	344	146	217
NET ASSETS	113,267	110,426	77	(18)
EQUITY				
Retained earnings	113,190	110,349	77	(18)
Revaluation reserves	77	77	-	-
Council equity interest	113,267	110,426	77	(18)
Minority equity interest	-	-	-	-
TOTAL EQUITY	113,267	110,426	77	(18)

Waverley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Cemetery

Category 2

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	1,631	1,220
Investments	-	-
Receivables	27	22
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,658	1,242
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	34,843	35,348
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	34,843	35,348
TOTAL ASSETS	36,501	36,590
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	16	16
Interest bearing liabilities	-	-
Provisions	244	270
Total Current Liabilities	260	286
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	260	286
NET ASSETS	36,241	36,304
EQUITY		
Retained earnings	36,241	36,304
Revaluation reserves	-	-
Council equity interest	36,241	36,304
Minority equity interest	-	-
TOTAL EQUITY	36,241	36,304

Waverley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	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 2012

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

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 2012

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

Waverley Council

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

Note 1. Significant Accounting Policies (continued)

(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 3.03% at 30/6/12.

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

(iv) Dividends

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

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 2012, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling 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 18th day of October 2012

Waverley Council

SPECIAL SCHEDULES

for the year ended 30 June 2012

*"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 2012

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- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	6
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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 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	-	-	-	-
Administration	19,887	5,187	-	(14,700)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,753	168	-	(1,585)
Beach Control	2,791	14	-	(2,777)
Enforcement of Local Govt. Regulations	1,402	1,630	-	228
Animal Control	189	27	-	(162)
Other	-	-	-	-
Total Public Order & Safety	6,135	1,839	-	(4,296)
Health	1,725	237	-	(1,488)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,272	158	-	(1,114)
Solid Waste Management	12,046	13,799	-	1,753
Street Cleaning	3,952	1	-	(3,951)
Drainage	1,482	3	825	(654)
Stormwater Management	-	-	-	-
Total Environment	18,752	13,961	825	(3,966)
Community Services and Education				
Administration & Education	1,928	44	-	(1,884)
Social Protection (Welfare)	872	2	-	(870)
Aged Persons and Disabled	1,655	994	-	(661)
Children's Services	4,934	4,490	825	381
Total Community Services & Education	9,389	5,530	825	(3,034)
Housing and Community Amenities				
Public Cemeteries	1,046	1,209	-	163
Public Conveniences	74	-	-	(74)
Street Lighting	1,031	168	-	(863)
Town Planning	4,539	2,066	2,449	(24)
Other Community Amenities	2	-	-	(2)
Total Housing and Community Amenities	6,692	3,443	2,449	(800)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Waverley Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	4,922	296	-	(4,626)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	-	-
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	4,073	817	-	(3,256)
Sporting Grounds and Venues	515	6	378	(131)
Swimming Pools	138	-	-	(138)
Parks & Gardens (Lakes)	5,627	606	-	(5,021)
Other Sport and Recreation	599	115	-	(484)
Total Recreation and Culture	15,874	1,840	378	(13,656)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	751	253	-	(498)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	751	253	-	(498)
Transport and Communication				
Urban Roads (UR) - Local	7,142	771	437	(5,934)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	10,246	22,204	-	11,958
Footpaths	2,671	1	-	(2,670)
Aerodromes	-	-	-	-
Other Transport & Communication	14	1,215	-	1,201
Total Transport and Communication	20,073	24,191	437	4,555
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,098	3,731	-	2,633
Total Economic Affairs	1,098	3,731	-	2,633
Totals – Functions	100,376	60,212	4,914	(35,250)
General Purpose Revenues⁽²⁾		35,576		35,576
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	100,376	95,788	4,914	326

(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 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,181	3,173	4,354	-	1,185	-	-	236	1,289	1,880	3,169
Other	4	14	18	-	-	-	-	-	-	18	18
Total Loans	1,185	3,187	4,372	-	1,185	-	-	236	1,289	1,898	3,187
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,185	3,187	4,372	-	1,185	-	-	236	1,289	1,898	3,187

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 2012

\$'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	1,369	188	1,181
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	1,369	188	1,181

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	4.83%	692	104	588
		12/01/11	30/11/11	10	30/11/21	4.88%	677	84	593
Totals							1,369	188	1,181

Waverley Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	100,702	147,678	109,955	113,489	118,098
Expenses from continuing operations	100,376	106,354	110,719	116,378	120,803
Operating Result from Continuing Operations	<u>326</u>	<u>41,324</u>	<u>(764)</u>	<u>(2,889)</u>	<u>(2,705)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	10,589	22,513	6,307	-	200
Replacement/Refurbishment of Existing Assets	5,289	11,407	15,319	16,874	17,327
Total Capital Budget	<u>15,878</u>	<u>33,920</u>	<u>21,626</u>	<u>16,874</u>	<u>17,527</u>
Funded by:					
- Loans	-	2,500	3,906	-	-
- Asset sales	53	22,040	108	125	210
- Reserves	9,335	6,177	7,849	5,249	1,740
- Grants/Contributions	3,288	2,363	2,428	2,488	2,550
- Recurrent revenue	3,202	840	7,335	9,012	13,027
- Other	-	-	-	-	-
	<u>15,878</u>	<u>33,920</u>	<u>21,626</u>	<u>16,874</u>	<u>17,527</u>

Notes:

(1) From 11/12 Income Statement.

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

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

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

Waverley Council

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