



WAVERLEY  
COUNCIL

# Annual Financial Statements

for the financial year ending 30 June 2014

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

# Waverley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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



# Waverley Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

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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 detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the 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 28 October 2014. Council has the power to amend and reissue these financial statements.

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## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### 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 2014.

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 Office of Local Government.

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

Summarises 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. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities and "Net Wealth".

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

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

#### 5. The Statement of Cash Flows

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

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

### About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 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 commentary on 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 Office of Local Government.

### More information...

A review of Council's financial performance and position for the 13/14 financial year can be found at Note 28 of the financial statements.

## Waverley Council

### General Purpose Financial Statements for the financial year ended 30 June 2014

### 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 14 October 2014.



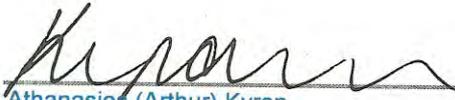
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Sally Betts  
MAYOR



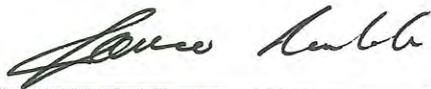
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Andrew Cusack  
COUNCILLOR



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Athanasios (Arthur) Kyron  
GENERAL MANAGER



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Francesco Rombola  
RESPONSIBLE ACCOUNTING OFFICER

## Waverley Council

## Income Statement

for the financial year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
52,595	Rates & Annual Charges	3a	52,867	47,283
31,114	User Charges & Fees	3b	31,977	28,222
2,270	Interest & Investment Revenue	3c	2,637	2,647
17,897	Other Revenues	3d	18,946	23,211
6,166	Grants & Contributions provided for Operating Purposes	3e,f	6,786 <sup>2</sup>	7,108
2,000	Grants & Contributions provided for Capital Purposes	3e,f	9,865	6,802
<i>Other Income:</i>				
45,447	Net gains from the disposal of assets	5	-	189
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>157,489</b>	<b>Total Income from Continuing Operations</b>		<b>123,078</b>	<b>115,462</b>
<b>Expenses from Continuing Operations</b>				
54,498	Employee Benefits & On-Costs	4a	54,229	50,682
210	Borrowing Costs	4b	189	194
19,253	Materials & Contracts	4c	17,974	17,301
16,311	Depreciation & Amortisation	4d	17,898	15,715
-	Impairment	4d	-	-
21,689	Other Expenses	4e	21,175	21,230
-	Net Losses from the Disposal of Assets	5	1,561	-
<b>111,961</b>	<b>Total Expenses from Continuing Operations</b>		<b>113,026</b>	<b>105,122</b>
<b>45,528</b>	<b>Operating Result from Continuing Operations</b>		<b>10,052</b>	<b>10,340</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>45,528</b>	<b>Net Operating Result for the Year</b>		<b>10,052</b>	<b>10,340</b>
45,528	Net Operating Result attributable to Council		10,052	10,340
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>43,528</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>187</b>	<b>3,538</b>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

## Waverley Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>10,052</b>	<b>10,340</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	50,303
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		-	50,303
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
<b>Total Other Comprehensive Income for the year</b>		-	<b>50,303</b>
<b>Total Comprehensive Income for the Year</b>		<b>10,052</b>	<b>60,643</b>
<b>Total Comprehensive Income attributable to Council</b>		10,052	60,643
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		-	-

## Waverley Council

## Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	18,573	9,362
Investments	6b	33,640	35,226
Receivables	7	7,809	7,950
Inventories	8	221	255
Other	8	672	567
Non-current assets classified as "held for sale"	22	34,685	34,685
<b>Total Current Assets</b>		<b>95,600</b>	<b>88,045</b>
<b>Non-Current Assets</b>			
Investments	6b	4,800	7,000
Receivables	7	1,732	2,825
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	705,178	695,625
Investments accounted for using the equity method	19	-	-
Investment Property	14	124,200	122,880
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>835,910</b>	<b>828,330</b>
<b>TOTAL ASSETS</b>		<b>931,510</b>	<b>916,375</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	21,076	13,504
Borrowings	10	1,117	1,252
Provisions	10	17,667	18,958
<b>Total Current Liabilities</b>		<b>39,860</b>	<b>33,714</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	1,918	3,035
Provisions	10	542	488
<b>Total Non-Current Liabilities</b>		<b>2,460</b>	<b>3,523</b>
<b>TOTAL LIABILITIES</b>		<b>42,320</b>	<b>37,237</b>
<b>Net Assets</b>		<b>889,190</b>	<b>879,138</b>
<b>EQUITY</b>			
Retained Earnings	20	596,004	585,069
Revaluation Reserves	20	293,186	294,069
Council Equity Interest		889,190	879,138
Non-controlling Interests		-	-
<b>Total Equity</b>		<b>889,190</b>	<b>879,138</b>

## Waverley Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		585,069	294,069	<b>879,138</b>	-	<b>879,138</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/13)		<b>585,069</b>	<b>294,069</b>	<b>879,138</b>	-	<b>879,138</b>
<b>c. Net Operating Result for the Year</b>		<b>10,052</b>	-	<b>10,052</b>	-	<b>10,052</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	-	-	-	-
<b>Total Comprehensive Income</b> (c&d)		<b>10,052</b>	-	<b>10,052</b>	-	<b>10,052</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		883	(883)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>596,004</b>	<b>293,186</b>	<b>889,190</b>	-	<b>889,190</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		572,875	245,709	<b>818,584</b>	-	<b>818,584</b>
a. Correction of Prior Period Errors	20 (c)	-	(89)	<b>(89)</b>	-	<b>(89)</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/12)		<b>572,875</b>	<b>245,620</b>	<b>818,495</b>	-	<b>818,495</b>
<b>c. Net Operating Result for the Year</b>		10,340	-	<b>10,340</b>	-	<b>10,340</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	50,303	<b>50,303</b>	-	<b>50,303</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>50,303</b>	<b>50,303</b>	-	<b>50,303</b>
<b>Total Comprehensive Income</b> (c&d)		<b>10,340</b>	<b>50,303</b>	<b>60,643</b>	-	<b>60,643</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		1,854	(1,854)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>585,069</b>	<b>294,069</b>	<b>879,138</b>	-	<b>879,138</b>

## Waverley Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
52,525	Rates & Annual Charges		52,900	47,019
31,098	User Charges & Fees		34,409	30,082
2,262	Investment & Interest Revenue Received		2,391	2,640
8,315	Grants & Contributions		11,174	13,952
-	Bonds, Deposits & Retention amounts received		8,234	228
17,776	Other		18,751	21,207
<b>Payments:</b>				
(53,255)	Employee Benefits & On-Costs		(55,576)	(51,944)
(22,210)	Materials & Contracts		(19,998)	(19,389)
(227)	Borrowing Costs		(214)	(213)
-	Bonds, Deposits & Retention amounts refunded		(248)	(186)
(21,273)	Other		(21,573)	(23,868)
<b>15,011</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>30,250</b>	<b>19,528</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		66,150	10,136
45,000	Sale of Real Estate Assets		-	-
447	Sale of Infrastructure, Property, Plant & Equipment		167	10,315
-	Deferred Debtors Receipts		23	28
<b>Payments:</b>				
(27,495)	Purchase of Investment Securities		(62,034)	(29,750)
(37,091)	Purchase of Infrastructure, Property, Plant & Equipment		(24,093)	(22,819)
<b>(19,139)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(19,787)</b>	<b>(32,090)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
4,710	Proceeds from Borrowings & Advances		-	2,500
<b>Payments:</b>				
(1,252)	Repayment of Borrowings & Advances		(1,252)	(1,400)
<b>3,458</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(1,252)</b>	<b>1,100</b>
<b>(670)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>9,211</b>	<b>(11,462)</b>
63,992	plus: Cash & Cash Equivalents - beginning of year	11a	9,362	20,824
<b>63,322</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>18,573</b>	<b>9,362</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	38,440	42,226
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>57,013</b>	<b>51,588</b>

Please refer to Note 11 for additional cash flow information

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### 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 (AASBs), 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 Australian Accounting 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 AASBs 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 AASBs.

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

###### (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 2013.

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### (v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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.

##### (vii) Critical Accounting Estimates

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

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 Council and that are believed to be reasonable under the circumstances.

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

Council makes estimates and assumptions concerning the future.

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

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

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

##### **Critical judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (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 it 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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

rateable property or, where earlier, upon receipt of the rates.

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

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

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

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

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

reporting period transactions have been eliminated in full between Council and its controlled entities.

##### (i) The Consolidated Fund

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

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

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

- General Purpose Operations

##### (ii) The Trust Fund

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

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

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

##### (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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

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

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

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

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

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

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

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

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

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

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

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

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

#### (ii) Loans and receivables

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

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

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

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

#### Financial Assets – Reclassification

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

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

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

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

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

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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 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.

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

##### **(h) Receivables**

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

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

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

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

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

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

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

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

##### **(i) Inventories**

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

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

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

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

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

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

###### **Land Held for Resale/Capitalisation of Borrowing Costs**

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

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.

## Waverley Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

###### Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office 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** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **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)

###### Initial Recognition

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

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

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

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

###### Subsequent costs

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

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

###### Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class 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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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
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##### Building

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

Other Structures	> \$20,000
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##### Stormwater Assets

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

##### Transport Assets

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

#### 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 (if appropriate), at each reporting 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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

future economic benefits are expected from its use or disposal.

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

#### (k) Land

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

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

#### (l) Land under roads

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

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

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

#### (m) Intangible Assets

##### IT Development and Software

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

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

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

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

#### (n) Crown Reserves

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

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

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

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

#### (o) Rural Fire Service assets

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### **(p) Investment property**

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2013.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

This amortisation of the 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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

restoration techniques or experience at other locations.

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

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

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

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

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

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

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

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

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

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of

business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

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

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

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

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (x) Employee benefits

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

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly 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.

All other short-term employee benefit obligations are presented as payables.

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 wholly settled within the 12 months after the reporting

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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"

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20<sup>th</sup> February 2013 and covers the period ended 30 June 2018.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 620,156.

The amount of additional contributions included in the total employer contribution advised above is \$2,480,624.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,271,530 as at 30 June 2014.

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.

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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 30/6/14.

##### (y) Self insurance

Council does not self insure.

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

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

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

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

liability is classified as current even if not expected to be settled within the next 12 months.

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

##### (aa) Taxes

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

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

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

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

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

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

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### (ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**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, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments** (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular 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 although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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 de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

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

**AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets** (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

**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 for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards 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.

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

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

Application of this standard by Council will not affect any of the amounts recognised in the financial

statements, but will impact the type of information disclosed in relation to Council's investments.

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

The amendments also 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 2015.

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

None

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

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative Figures**

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

#### **(ae) Disclaimer**

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 2014

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 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Asset Management Services	51,267	12,365	12,489	25,836	22,607	19,464	25,431	(10,242)	(6,975)	759	1,169	652,603	623,870
Beach Services, Maintenance & Safety	720	694	641	3,416	3,594	3,449	(2,696)	(2,900)	(2,808)	-	3	60	83
Cemetery Services	1,185	1,350	1,331	1,082	1,249	1,152	103	101	179	-	-	31,218	31,531
Child Care Services	6,283	6,800	5,558	5,987	6,400	5,728	296	400	(170)	3,117	2,553	6,875	6,908
Community Services	842	1,052	863	2,116	2,175	1,944	(1,274)	(1,123)	(1,081)	622	683	41,455	38,269
Corporate Support Services	44,950	44,806	40,777	12,030	9,605	8,355	32,920	35,201	32,422	930	1,909	20,026	27,709
Cultural Services	384	441	375	1,702	3,346	2,960	(1,318)	(2,905)	(2,585)	-	-	-	7
Customer Services & Communication	15	11	11	1,076	1,257	1,111	(1,061)	(1,246)	(1,100)	-	-	8	3
Development, Building & Health Services	4,284	6,972	8,435	8,346	9,249	8,688	(4,062)	(2,277)	(253)	10	138	-	6,573
Emergency Management Services	35	29	111	126	132	140	(91)	(103)	(29)	-	-	-	-
Environmental Services	371	658	154	1,424	1,589	1,320	(1,053)	(931)	(1,166)	354	69	-	438
Governance, Integrated Planning & Community Engagement	66	2	89	4,514	4,609	4,915	(4,448)	(4,607)	(4,826)	93	-	-	15
Library Services	226	336	262	4,125	4,089	4,168	(3,899)	(3,753)	(3,906)	175	178	29,984	31,404
Parking Services	26,813	26,749	24,573	11,581	10,589	10,650	15,232	16,160	13,923	2	-	13,317	10,928
Parks Services & Maintenance	176	341	166	4,938	6,534	6,155	(4,762)	(6,193)	(5,989)	20	-	103,773	106,547
Place Management	842	801	947	763	549	687	79	252	260	-	-	-	118
Recreation Services	60	33	47	465	725	807	(405)	(692)	(760)	-	-	-	130
Regulatory Services	1,572	1,928	1,587	1,276	1,566	1,632	296	362	(45)	-	-	-	3
Social & Affordable Housing	865	900	828	515	1,087	960	350	(187)	(132)	-	-	24,679	22,002
Traffic & Transport Services	-	-	156	363	5	244	(363)	(5)	(88)	-	156	-	79
Urban Open Space Maintenance & Accessibility	184	278	260	3,993	4,129	3,772	(3,809)	(3,851)	(3,512)	-	-	-	10
Waste Services	16,349	16,532	15,802	16,287	17,941	16,821	62	(1,409)	(1,019)	110	114	7,512	9,748
<b>Total Functions &amp; Activities</b>	<b>157,489</b>	<b>123,078</b>	<b>115,462</b>	<b>111,961</b>	<b>113,026</b>	<b>105,122</b>	<b>45,528</b>	<b>10,052</b>	<b>10,340</b>	<b>6,192</b>	<b>6,972</b>	<b>931,510</b>	<b>916,375</b>

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

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

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

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

##### **Cemetery Services**

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

##### **Childcare Services**

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

##### **Community Services**

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

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

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

##### **Cultural Services**

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

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

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

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

##### **Environmental Services**

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

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

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

##### **Library Services**

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

##### **Parking Services**

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

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

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

##### **Place Management**

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

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

##### **Recreation Services**

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

## Waverley Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

##### **Regulatory Services**

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

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

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

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

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

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

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

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

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

##### **Waste Services**

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		28,295	25,039
Business		11,022	9,699
<b>Total Ordinary Rates</b>		<b>39,317</b>	<b>34,738</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		13,504	12,503
Section 611 Charges		46	42
<b>Total Annual Charges</b>		<b>13,550</b>	<b>12,545</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>52,867</b>	<b>47,283</b>
Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.			
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		2,423	2,235
<b>Total User Charges</b>		<b>2,423</b>	<b>2,235</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Hoarding/Crane Permits		1,295	842
Planning & Building Regulation		2,016	1,880
Section 149 Certificates (EPA Act)		257	233
Section 603 Certificates		135	107
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>3,703</b>	<b>3,062</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Admission & Service Fees		142	139
Bus Shelter Fees		1,271	1,232
Car Parking Fees		7,071	5,765
Car Parking Meter Income		8,939	7,307
Cemeteries		1,280	1,232
Child Care		3,679	2,998
Leaseback Fees - Council Vehicles		142	141
Park Rents		869	974
Restoration Charges		963	1,166
Road Opening Permits		46	109
Temporary Truck Zone Permit		590	979
Other		859	883
<b>Total Fees &amp; Charges - Other</b>		<b>25,851</b>	<b>22,925</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>31,977</b>	<b>28,222</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		112	108
- Interest earned on Investments (interest & coupon payment income)		2,195	2,271
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		330	268
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>2,637</u>	<u>2,647</u>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		112	108
General Council Cash & Investments		2,314	2,062
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		65	203
Domestic Waste Management operations		146	274
<b>Total Interest &amp; Investment Revenue Recognised</b>		<u>2,637</u>	<u>2,647</u>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	1,320	5,057
Rental Income - Investment Properties	14	2,199	2,210
Rental Income - Other Council Properties		3,780	3,716
Ex Gratia Rates		21	23
Fines		115	103
Fines - Parking		10,738	11,173
Legal Fees Recovery - Rates & Charges (Extra Charges)		42	35
Legal Fees Recovery - Other		25	69
Insurance Claim Recoveries		1	56
Recycling Income (non domestic)		348	247
Sale of Abandoned Vehicles		1	4
Sales - General		15	11
Other		341	507
<b>TOTAL OTHER REVENUE</b>		<u>18,946</u>	<u>23,211</u>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	721	1,486	-	-
Financial Assistance - Local Roads Component	206	405	-	-
Pensioners' Rates Subsidies - General Component	208	207	-	-
<b>Total General Purpose</b>	<b>1,135</b>	<b>2,098</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

**Specific Purpose**

## Pensioners' Rates Subsidies:

- Domestic Waste Management	110	114	-	-
Aged Care	-	40	-	-
Child Care	3,117	2,552	-	-
Community Care	622	643	-	-
Employment & Training Programs	2	6	-	-
Environmental Protection	354	69	-	-
Library	47	48	-	-
Library - per capita	128	130	-	-
Recreation & Culture	-	-	20	165
Street Lighting	172	172	-	-
Transport (Roads to Recovery)	212	-	-	203
Transport (Other Roads & Bridges Funding)	-	40	170	554
Other	103	138	-	-
<b>Total Specific Purpose</b>	<b>4,867</b>	<b>3,952</b>	<b>190</b>	<b>922</b>
<b>Total Grants</b>	<b>6,002</b>	<b>6,050</b>	<b>190</b>	<b>922</b>

**Grant Revenue is attributable to:**

- Commonwealth Funding	2,700	2,947	-	521
- State Funding	2,973	2,816	190	401
- Other Funding	329	287	-	-
	<b>6,002</b>	<b>6,050</b>	<b>190</b>	<b>922</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b> <b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 93F - Contributions using Planning Agreements	-	-	1,154	4,347
S 94A - Fixed Development Consent Levies	-	-	3,483	1,533
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>4,637</b>	<b>5,880</b>
<b>Other Contributions:</b>				
Car Parking	12	228	-	-
Community Services	288	43	-	-
Dedications (other than by S94)	-	-	4,943	-
Drainage	-	7	-	-
Kerb & Gutter	-	10	-	-
Other Councils - Joint Works/Services	322	116	-	-
Paving	2	1	-	-
Recreation & Culture	76	6	95	-
Roads & Bridges	2	95	-	-
Other	82	552	-	-
<b>Total Other Contributions</b>	<b>784</b>	<b>1,058</b>	<b>5,038</b>	<b>-</b>
<b>Total Contributions</b>	<b>784</b>	<b>1,058</b>	<b>9,675</b>	<b>5,880</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>6,786</b>	<b>7,108</b>	<b>9,865</b>	<b>6,802</b>

\$ '000	Actual 2014	Actual 2013
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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	7,446	2,964
add: Grants & contributions recognised in the current period but not yet spent:	3,616	4,708
less: Grants & contributions recognised in a previous reporting period now spent:	(774)	(226)

**Net Increase (Decrease) in Restricted Assets during the Period**

<b>2,842</b>	<b>4,482</b>
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**Unexpended and held as Restricted Assets**

<b>10,288</b>	<b>7,446</b>
---------------	--------------

**Comprising:**

- Specific Purpose Unexpended Grants	445	470
- Developer Contributions	9,427	6,550
- Other Contributions	416	426
	<b>10,288</b>	<b>7,446</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		40,586	37,905
Travelling		157	126
Employee Leave Entitlements (ELE)		5,609	4,923
Superannuation		4,857	4,739
Workers' Compensation Insurance		2,635	2,591
Fringe Benefit Tax (FBT)		230	183
Training Costs (other than Salaries & Wages)		295	251
Other		160	161
<b>Total Employee Costs</b>		<b>54,529</b>	<b>50,879</b>
less: Capitalised Costs		(300)	(197)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>54,229</b>	<b>50,682</b>
Number of "Equivalent Full Time" Employees at year end		<b>601</b>	<b>582</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Overdraft		-	2
Interest on Loans		186	188
Interest on Building Deposits		3	4
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>189</b>	<b>194</b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>189</b>	<b>194</b>
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		8,774	19,097
Contractor & Consultancy Costs		25,237	14,501
Contractor & Consultancy Costs (Temporary Staff)		1,772	1,490
Auditors Remuneration <sup>(1)</sup>		56	51
Infringement Notice Contract Costs (SEINS)		1,509	1,681
Legal Expenses:			
- Legal Expenses: Planning & Development		386	480
- Legal Expenses: Other		1,322	992
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		1,031	1,171
Other (Fuel & Gas)		689	649
<b>Total Materials &amp; Contracts</b>		<b>40,776</b>	<b>40,112</b>
less: Capitalised Costs		(22,802)	(22,811)
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>17,974</b>	<b>17,301</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts (continued)</b>			
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		56	51
<b>Remuneration for audit and other assurance services</b>		<b>56</b>	<b>51</b>
<b>Total Auditor Remuneration</b>		<b>56</b>	<b>51</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Buildings		330	348
Computers		279	283
Motor Vehicles		422	540
		<b>1,031</b>	<b>1,171</b>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		-	-	1,713	1,191
Office Equipment		-	-	315	367
Buildings - Non Specialised		-	-	3,092	2,217
Buildings - Specialised		-	-	3,578	3,167
Other Structures		-	-	186	173
Infrastructure:					
- Roads		-	-	4,681	4,243
- Footpaths		-	-	1,191	1,254
- Stormwater Drainage		-	-	1,119	1,117
- Other Open Space/Recreational Assets		-	-	1,647	1,673
Other Assets					
- Library Books		-	-	229	210
- Other		-	-	147	103
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>17,898</b>	<b>15,715</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		691	567
Abandonment of Fines by Office of State Debt Recovery		1,187	1,295
Bad & Doubtful Debts		2	166
Bank Charges		492	359
Car Park Levy		117	116
Cleaning		680	635
Computer Software Charges		886	982
Contributions/Levies to Other Levels of Government		253	464
- Department of Planning Levy		384	393
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		94	87
- NSW Fire Brigade Levy		1,584	1,535
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		210	200
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		106	97
Donations, Contributions & Assistance to other organisations (Section 356)		588	646
Electricity & Heating		1,000	1,086
Family Day Care Subsidy		1,002	852
Insurance		1,328	1,176
Land Tax - Crown Land		430	460
Office Expenses (including computer expenses)		128	371
Postage		193	194
Printing & Stationery		695	832
Street Lighting		1,117	1,118
Subscriptions & Publications		290	232
Telephone & Communications		217	192
Waste Disposal Charges		6,194	5,956
Water Rates & Charges		332	325
Other		1,014	931
<b>Total Other Expenses</b>		<b>21,252</b>	<b>21,304</b>
less: Capitalised Costs		(77)	(74)
<b>TOTAL OTHER EXPENSES</b>		<b>21,175</b>	<b>21,230</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		57	545
less: Carrying Amount of P&E Assets Sold / Written Off		(85)	(57)
<b>Net Gain/(Loss) on Disposal</b>		<b>(28)</b>	<b>488</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		110	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(1,643)	(299)
<b>Net Gain/(Loss) on Disposal</b>		<b>(1,533)</b>	<b>(299)</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		66,150	10,136
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(66,150)	(10,136)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		-	10,270
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		-	(10,270)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(1,561)</u></b>	<b><u>189</u></b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		874	-	158	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		6,510	-	950	-
- Managed Funds		7,189	-	5,854	-
- Short Term Deposits		4,000	-	2,400	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>18,573</b>	<b>-</b>	<b>9,362</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		23,000	4,800	31,750	7,000
- NCD's, FRN's (with Maturities > 3 months)		8,715	-	1,616	-
- Growth Securities		1,925	-	1,860	-
<b>Total Investments</b>		<b>33,640</b>	<b>4,800</b>	<b>35,226</b>	<b>7,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>52,213</b>	<b>4,800</b>	<b>44,588</b>	<b>7,000</b>

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

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

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>18,573</b>	<b>-</b>	<b>9,362</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	10,640	-	3,476	-
b. "Held to Maturity"	6(b-ii)	23,000	4,800	31,750	7,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
<b>Investments</b>		<b>33,640</b>	<b>4,800</b>	<b>35,226</b>	<b>7,000</b>

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	3,476	-	7,344	-
Revaluations (through the Income Statement)	330	-	268	-
Additions	6,834	-	-	-
Disposals (sales & redemptions)	-	-	(4,136)	-
<b>Balance at End of Year</b>	<b>10,640</b>	<b>-</b>	<b>3,476</b>	<b>-</b>
<b>Comprising:</b>				
- NCD's, FRN's (with Maturities > 3 months)	8,715	-	1,616	-
- Growth Securities	1,925	-	1,860	-
<b>Total</b>	<b>10,640</b>	<b>-</b>	<b>3,476</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	31,750	7,000	12,000	3,000
Additions	53,400	1,800	22,750	7,000
Disposals (sales & redemptions)	(66,150)	-	(6,000)	-
Transfers between Current/Non Current	4,000	(4,000)	3,000	(3,000)
<b>Balance at End of Year</b>	<b>23,000</b>	<b>4,800</b>	<b>31,750</b>	<b>7,000</b>
<b>Comprising:</b>				
- Long Term Deposits	23,000	4,800	31,750	7,000
<b>Total</b>	<b>23,000</b>	<b>4,800</b>	<b>31,750</b>	<b>7,000</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	52,213	4,800	44,588	7,000
<b>attributable to:</b>				
External Restrictions (refer below)	8,600	4,800	3,577	7,000
Internal Restrictions (refer below)	41,536	-	34,584	-
Unrestricted	2,077	-	6,427	-
	<b>52,213</b>	<b>4,800</b>	<b>44,588</b>	<b>7,000</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General	(D)	6,550	3,856	(979)	9,427
Specific Purpose Unexpended Grants	(F)	470	-	(25)	445
Domestic Waste Management	(G)	3,131	1,563	(1,582)	3,112
Other		426	-	(10)	416
<b>External Restrictions - Other</b>		<b>10,577</b>	<b>5,419</b>	<b>(2,596)</b>	<b>13,400</b>
<b>Total External Restrictions</b>		<b>10,577</b>	<b>5,419</b>	<b>(2,596)</b>	<b>13,400</b>

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

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

**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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	1,727	1,027	(784)	1,970
Infrastructure Replacement	474	2,637	(1)	3,110
Employees Leave Entitlement	3,891	905	-	4,796
Carry Over Works	1,625	3,035	(215)	4,445
Deposits, Retentions & Bonds	6,988	8,646	-	15,634
IT Equipment & Upgrade	855	533	(197)	1,191
Insurance Claims	200	-	-	200
Parking Meters	4,092	750	(3,770)	1,072
Parking - Off-Street	566	175	(134)	607
Street Tree (Sewer) Aerial Building	252	-	-	252
Affordable Housing	1,141	130	-	1,271
Social Housing	249	81	-	330
Future Capital Works	5,117	900	(2,098)	3,919
Unexpended Loans	2,357	-	(2,076)	281
Cemetery Funds	1,704	165	(46)	1,823
Investment Strategy	1,459	6,886	(8,345)	-
Looking Good	468	-	(217)	251
Election	59	75	-	134
Other	1,360	-	(1,110)	250
<b>Total Internal Restrictions</b>	<b>34,584</b>	<b>25,945</b>	<b>(18,993)</b>	<b>41,536</b>
<b>TOTAL RESTRICTIONS</b>	<b>45,161</b>	<b>31,364</b>	<b>(21,589)</b>	<b>54,936</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		852	229	824	290
Interest & Extra Charges		127	67	149	52
User Charges & Fees		974	-	1,977	-
Capital Debtors (being sale of assets)					
- Sale of Land		500	-	-	500
Accrued Revenues					
- Interest on Investments		324	-	401	-
- Other Income Accruals		211	-	311	-
Government Grants & Subsidies		231	-	490	-
Deferred Debtors		32	-	32	23
Net GST Receivable		1,286	-	800	-
Parking Fines		3,339	3,620	3,054	4,144
<b>Total</b>		<b>7,876</b>	<b>3,916</b>	<b>8,038</b>	<b>5,009</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(67)	-	(88)	-
Parking Fines		-	(2,184)	-	(2,184)
<b>Total Provision for Impairment - Receivables</b>		<b>(67)</b>	<b>(2,184)</b>	<b>(88)</b>	<b>(2,184)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,809</u></b>	<b><u>1,732</u></b>	<b><u>7,950</u></b>	<b><u>2,825</u></b>
<b>Externally Restricted Receivables</b>					
<b>Domestic Waste Management</b>		<b>595</b>	<b>113</b>	<b>536</b>	<b>153</b>
<b>Total External Restrictions</b>		<b>595</b>	<b>113</b>	<b>536</b>	<b>153</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>7,214</b>	<b>1,619</b>	<b>7,414</b>	<b>2,672</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>7,809</u></b>	<b><u>1,732</u></b>	<b><u>7,950</u></b>	<b><u>2,825</u></b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		221	-	255	-
<b>Total Inventories</b>		<b>221</b>	<b>-</b>	<b>255</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		672	-	567	-
<b>Total Other Assets</b>		<b>672</b>	<b>-</b>	<b>567</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>893</b>	<b>-</b>	<b>822</b>	<b>-</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

**(i) Other Disclosures****(a) Inventory Write Downs**

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	3,707	-	-	-	3,707	11,063	-	(118)	(2,153)	-	12,499	-	-	-	12,499
Plant & Equipment	-	16,630	8,229	-	8,401	1,168	(85)	(1,713)	-	1	-	17,302	9,530	-	7,772
Office Equipment	-	8,844	7,596	-	1,248	165	-	(315)	-	23	-	9,025	7,904	-	1,121
<b>Land:</b>															
- Operational Land	-	69,893	-	-	69,893	-	(329)	-	-	-	-	69,564	-	-	69,564
- Community Land	-	145,835	-	-	145,835	-	-	-	-	-	-	145,835	-	-	145,835
Buildings - Non Specialised	-	104,573	33,907	-	70,666	1,158	-	(3,092)	-	-	-	105,733	37,001	-	68,732
Buildings - Specialised	-	105,587	48,747	-	56,840	6,796	(1,334)	(3,578)	1,182	-	-	109,193	49,287	-	59,906
Other Structures	-	11,399	5,920	-	5,479	101	-	(186)	65	-	-	18,305	12,846	-	5,459
<b>Infrastructure:</b>															
- Roads	-	310,076	133,752	-	176,324	6,100	-	(4,563)	22	-	-	342,770	164,887	-	177,883
- Footpaths	-	42,612	14,277	-	28,335	1,451	-	(1,191)	89	-	-	44,151	15,467	-	28,684
- Stormwater Drainage	-	111,518	38,287	-	73,231	256	-	(1,119)	129	-	-	111,903	39,406	-	72,497
- Other Open Space/Recreational Assets	-	84,604	33,313	-	51,291	200	-	(1,647)	16	-	-	51,507	1,647	-	49,860
<b>Other Assets:</b>															
- Library Books	-	7,381	6,197	-	1,184	211	-	(229)	-	(14)	-	2,887	1,735	-	1,152
- Other	-	4,849	1,658	-	3,191	530	-	(147)	650	(10)	-	6,022	1,808	-	4,214
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>3,707</b>	<b>1,023,801</b>	<b>331,883</b>	<b>-</b>	<b>695,625</b>	<b>29,199</b>	<b>(1,748)</b>	<b>(17,898)</b>	<b>-</b>	<b>-</b>	<b>12,499</b>	<b>1,034,197</b>	<b>341,518</b>	<b>-</b>	<b>705,178</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$9,711) and New Assets (\$11,772). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

## Waverley Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Domestic Waste Management</b>								
Plant & Equipment	-	8,772	5,383	<b>3,389</b>	-	8,772	4,577	<b>4,195</b>
<b>Total DWM</b>	-	<b>8,772</b>	<b>5,383</b>	<b>3,389</b>	-	<b>8,772</b>	<b>4,577</b>	<b>4,195</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>8,772</b>	<b>5,383</b>	<b>3,389</b>	-	<b>8,772</b>	<b>4,577</b>	<b>4,195</b>

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

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		2,816	-	3,097	-
Goods & Services - capital expenditure		741	-	1,424	-
Payments Received In Advance		313	-	1,002	-
Accrued Expenses:					
- Borrowings		-	-	25	-
- Salaries & Wages		215	-	-	-
- Other Expenditure Accruals		1,320	-	929	-
Security Bonds, Deposits & Retentions		8,995	-	1,009	-
Builders Deposits		6,639	-	5,979	-
Other		37	-	39	-
<b>Total Payables</b>		<b>21,076</b>	<b>-</b>	<b>13,504</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		1,117	1,918	1,252	3,035
<b>Total Borrowings</b>		<b>1,117</b>	<b>1,918</b>	<b>1,252</b>	<b>3,035</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		4,921	-	4,939	-
Sick Leave		2,704	-	2,939	-
Long Service Leave		8,413	542	8,540	488
Gratuities		1,341	-	2,257	-
Time Off in Lieu		288	-	283	-
<b>Total Provisions</b>		<b>17,667</b>	<b>542</b>	<b>18,958</b>	<b>488</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>39,860</b>	<b>2,460</b>	<b>33,714</b>	<b>3,523</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		895	755	210	129
Liabilities relating to externally restricted assets		895	755	210	129
<b>Internally Restricted Assets</b>					
Nil					
<b>Total Liabilities relating to restricted assets</b>		<b>895</b>	<b>755</b>	<b>210</b>	<b>129</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>38,965</b>	<b>1,705</b>	<b>33,504</b>	<b>3,394</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>39,860</b>	<b>2,460</b>	<b>33,714</b>	<b>3,523</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
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**(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	10,766	12,749
Payables - Security Bonds, Deposits & Retentions	7,431	4,539
	<u>18,197</u>	<u>17,288</u>

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

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	4,939	2,471	(2,489)	-	-	4,921
Sick Leave	2,939	1,125	(1,360)	-	-	2,704
Long Service Leave	9,028	416	(489)	-	-	8,955
Other Leave (enter deta	283	365	(360)	-	-	288
Gratuities	2,257	(5)	(911)	-	-	1,341
<b>TOTAL</b>	<b>19,446</b>	<b>4,372</b>	<b>(5,609)</b>	<b>-</b>	<b>-</b>	<b>18,209</b>

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	18,573	9,362
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>18,573</b>	<b>9,362</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>10,052</b>	<b>10,340</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		17,898	15,715
Net Losses/(Gains) on Disposal of Assets		1,561	(189)
Non Cash Capital Grants and Contributions		(5,789)	-
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investments classified as "At Fair Value" or "Held for Trading"		(330)	(268)
- Investment Properties		(1,320)	(5,057)
- Other (non cash donation)		20	-
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		1,232	(1,214)
Increase/(Decrease) in Provision for Doubtful Debts		(21)	120
Decrease/(Increase) in Inventories		34	(137)
Decrease/(Increase) in Other Assets		(105)	(49)
Increase/(Decrease) in Payables		(281)	(221)
Increase/(Decrease) in accrued Interest Payable		(25)	(19)
Increase/(Decrease) in other accrued Expenses Payable		606	499
Increase/(Decrease) in Other Liabilities		7,955	973
Increase/(Decrease) in Employee Leave Entitlements		(1,237)	(965)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>30,250</b>	<b>19,528</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
S94 Contributions "in kind"		846	-
Other Dedications		4,943	-
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>5,789</b>	<b>-</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		250	250
Credit Cards / Purchase Cards		25	25
<b>Total Financing Arrangements</b>		<b>275</b>	<b>275</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & 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 2014

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
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## (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	8,337	12,563
Plant & Equipment	1,714	181
Infrastructure	1,062	520
<b>Total Commitments</b>	<b>11,113</b>	<b>13,264</b>

**These expenditures are payable as follows:**

Within the next year	11,113	13,264
<b>Total Payable</b>	<b>11,113</b>	<b>13,264</b>

**Sources for Funding of Capital Commitments:**

Unrestricted General Funds	-	24
Future Grants & Contributions	91	-
Sect 64 & 94 Funds/Reserves	350	105
Unexpended Grants	109	-
Externally Restricted Reserves	1,396	-
Internally Restricted Reserves	8,977	13,135
Unexpended Loans	190	-
<b>Total Sources of Funding</b>	<b>11,113</b>	<b>13,264</b>

## (b) Finance Lease Commitments

Nil

## (c) Operating Lease Commitments (Non Cancellable)

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

Within the next year	269	474
Later than one year and not later than 5 years	249	332
Later than 5 years	-	10
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>518</b>	<b>816</b>

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

Motor Vehicles - \$682k, and IT equipment - \$134k.

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

**Conditions relating to Operating Leases:**

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>98</u>	<b>0.09%</b>	-1.92%	-8.38%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>111,563</b>			
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(less ALL Grants &amp; Contributions)</u>	<u>104,777</u>	<b>86.29%</b>	87.35%	88.13%
Total continuing operating revenue <sup>(1)</sup>	<b>121,428</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>86,405</u>	<b>4.16 : 1</b>	5.18	4.35
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>20,768</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>18,185</u>	<b>12.62</b>	8.74	6.39
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>1,441</u>			
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>1,275</u>	<b>2.35%</b>	2.71%	2.43%
Rates, Annual and Extra Charges Collectible	<u>54,336</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>46,373</u>	<b>5.63</b>	5.95	4.83
Payments from cash flow of operating and financing activities	<u>8,238</u>			

## Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Note 10(a).

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

# Waverley Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



**Purpose of Operating Performance Ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

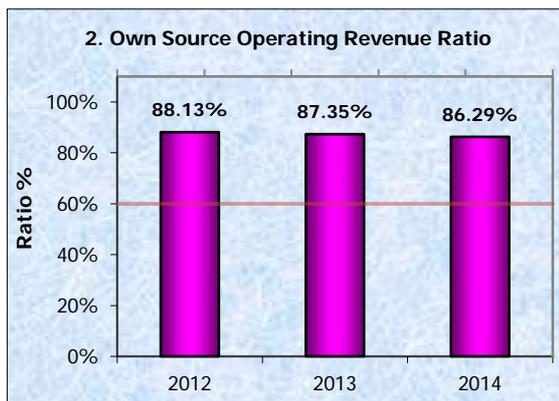
**Commentary on 2013/14 Result**

**2013/14 Ratio 0.09%**

This ratio compares favourably with the 2012/13 NSW Group 2 Councils average of -1.7%, and compares well with Tcorp benchmark of greater than >-4%, and compares well with OLG benchmark of greater than 0%

— Minimum -4.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Own Source Operating Revenue Ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

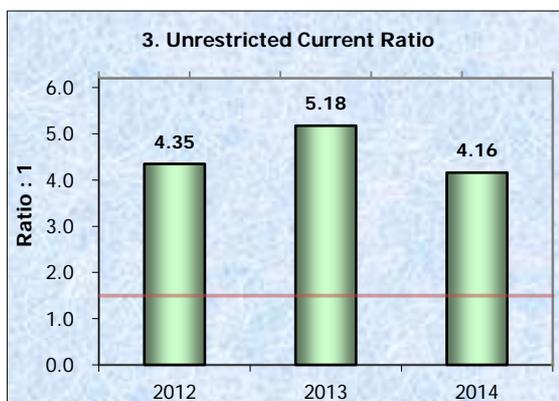
**Commentary on 2013/14 Result**

**2013/14 Ratio 86.29%**

This measure show that shows Waverley Council is less reliant on external funding sources, and compares well against the 2012/13 NSW Group 2 Councils average of 73% and favourably with Tcorp benchmark of greater than 60%.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Unrestricted Current Ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2013/14 Result**

**2013/14 Ratio 4.16 : 1**

This ratio indicates that Waverley Council has sufficient liquid assets on hand to meet short term obligations as they fall due and compares favourably with the 2012/13 NSW Group 2 Councils average of 3.1 : 1

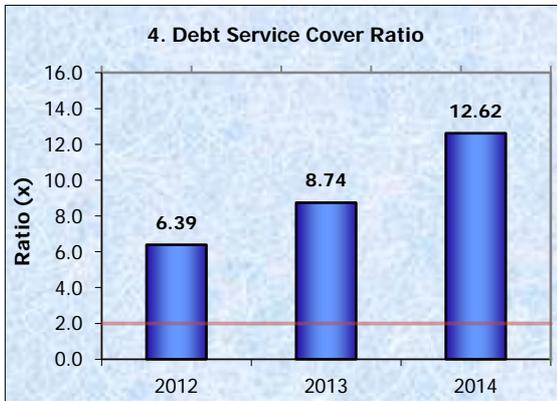
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

# Waverley Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

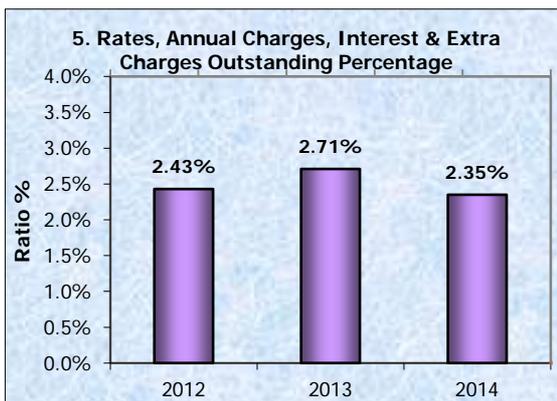
#### Purpose of Debt Service Cover Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 12.62**

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



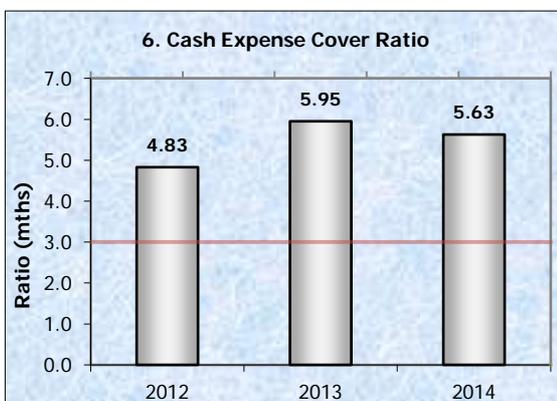
#### Purpose of Rates & Annual Charges Outstanding Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 2.35%**

This measure reflects continued strong and effective control over rates based debt.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

#### Purpose of Cash Expense Cover Ratio

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

#### Commentary on Result

**2013/14 Ratio 5.63**

This ratio compares favourably with the 2012/13 NSW Group 2 Councils average of 3.6 and compares well against the Tcorp benchmark of greater than 3 months

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>124,200</b>	<b>122,880</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		122,880	117,823
- Net Gain/(Loss) from Fair Value Adjustments		1,320	5,057
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>124,200</b>	<b>122,880</b>
<b>(b) Valuation Basis</b>			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2014 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd (ACN 003 683 878), Registered Valuer No. VAL2144.			
<b>(c) Leasing Arrangements</b>			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:			
Within 1 year		1,543	2,036
Later than 1 year but less than 5 years		1,009	2,338
<b>Total Minimum Lease Payments Receivable</b>		<b>2,552</b>	<b>4,374</b>
<b>(d) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		2,199	2,210
- Other Income		3,289	2,844
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(1,972)	(1,625)
- that did not generate rental income		(243)	(225)
<b>Net Revenue Contribution from Investment Properties</b>		<b>3,273</b>	<b>3,204</b>
plus:			
<b>Fair Value Movement for year</b>		<b>1,320</b>	<b>5,057</b>
<b>Total Income attributable to Investment Properties</b>		<b>4,593</b>	<b>8,261</b>

Refer to Note 27- Fair Value Measurement for information regarding the fair value of investment properties held.

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	18,573	9,362	18,573	9,362
Investments				
- "Held for Trading"	10,640	3,476	10,640	3,476
- "Held to Maturity"	27,800	38,750	27,800	38,750
Receivables	9,541	10,775	9,541	10,775
<b>Total Financial Assets</b>	<b>66,554</b>	<b>62,363</b>	<b>66,554</b>	<b>62,363</b>
<b>Financial Liabilities</b>				
Payables	20,763	12,502	20,763	12,502
Loans / Advances	3,035	4,287	3,035	4,287
<b>Total Financial Liabilities</b>	<b>23,798</b>	<b>16,789</b>	<b>23,798</b>	<b>16,789</b>

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2014</b>				
Possible impact of a 10% movement in Market Values	1,064	1,064	(1,064)	(1,064)
Possible impact of a 1% movement in Interest Rates	464	464	(464)	(464)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	347	347	(347)	(347)
Possible impact of a 1% movement in Interest Rates	488	488	(488)	(488)

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	88%	56%	88%	64%
Overdue	12%	44%	12%	36%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of Receivables - value</b>				
Current (not yet overdue)	962	5,476	975	7,587
Past due by up to 30 days	-	197	-	-
Past due between 31 and 60 days	-	304	-	-
Past due between 61 and 90 days	-	300	-	-
Past due by more than 90 days	119	4,434	139	4,346
	<u>1,081</u>	<u>10,711</u>	<u>1,114</u>	<u>11,933</u>
<b>(iii) Movement in Provision for Impairment of Receivables</b>			<b>2014</b>	<b>2013</b>
Balance at the beginning of the year			2,272	2,152
+ new provisions recognised during the year			2	163
- amounts already provided for & written off this year			(23)	(43)
<b>Balance at the end of the year</b>			<u>2,251</u>	<u>2,272</u>

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2014</b>									
Trade/Other Payables	15,634	5,129	-	-	-	-	-	20,763	<b>20,763</b>
Loans & Advances	-	1,117	837	667	414	-	-	3,035	<b>3,035</b>
<b>Total Financial Liabilities</b>	<b>15,634</b>	<b>6,246</b>	<b>837</b>	<b>667</b>	<b>414</b>	<b>-</b>	<b>-</b>	<b>23,798</b>	<b>23,798</b>
<b>2013</b>									
Trade/Other Payables	6,988	5,514	-	-	-	-	-	12,502	<b>12,502</b>
Loans & Advances	-	1,252	1,117	837	667	414	-	4,287	<b>4,287</b>
<b>Total Financial Liabilities</b>	<b>6,988</b>	<b>6,766</b>	<b>1,117</b>	<b>837</b>	<b>667</b>	<b>414</b>	<b>-</b>	<b>16,789</b>	<b>16,789</b>

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	20,763	0.0%	12,502	0.0%
Loans & Advances - Fixed Interest Rate	3,035	6.0%	4,287	6.0%
	<u>23,798</u>		<u>16,789</u>	

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 18 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>REVENUES</b>					
Rates & Annual Charges	52,595	52,867	272	1%	<b>F</b>
User Charges & Fees	31,114	31,977	863	3%	<b>F</b>
Interest & Investment Revenue	2,270	2,637	367	16%	<b>F</b>
More funds available to invest than originally estimated					
Other Revenues	17,897	18,946	1,049	6%	<b>F</b>
Operating Grants & Contributions	6,166	6,786	620	10%	<b>F</b>
Additional new grants/contributions that was not anticipated when we prepared the 2013/14 budget.					
Capital Grants & Contributions	2,000	9,865	7,865	393%	<b>F</b>
S94A contributions was \$2.23 million better than expected. A property unit dedication received from the developer, valued at \$840k. The rebuilding of the North Bondi Surf Club building was largely funded by external party, the contribution from the external party is valued at \$4.95m.					
Net Gains from Disposal of Assets	45,447	-	(45,447)	(100%)	<b>U</b>
This line item was not achieved due to Zetland depot sale settlement deferred to the 2014/15 financial year.					

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>EXPENSES</b>					
Employee Benefits & On-Costs	54,498	54,229	269	0%	F
Borrowing Costs	210	189	21	10%	F
Materials & Contracts	19,253	17,974	1,279	7%	F
Depreciation & Amortisation	16,311	17,898	(1,587)	(10%)	U
Other Expenses	21,689	21,175	514	2%	F
Net Losses from Disposal of Assets	-	1,561	(1,561)	0%	U
The primary cause was the writing off of the North Bondi Surf Club building to make way for a new building. The written down value of building demolished are not included in the budget.					

## Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	15,011	30,250	15,239	101.5%	F
The cash received from Fees & Charge and Grants & Contributions were better than anticipated by \$6.19 million. Bonds & Deposit received was \$8 million higher than expected.					
Cash Flows from Investing Activities	(19,139)	(19,787)	(648)	3.4%	U
Cash Flows from Financing Activities	3,458	(1,252)	(4,710)	(136.2%)	U
The Original budget included a new borrowing for a Cemetery project, however, this project was deferred. No additional borrowings were incurred in the 2013/14 financial year.					

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
S94A Levies - under a Plan	467	3,483	-	65	(791)	-	3,224	25,326	28,550	-	-
<b>Total S94 Revenue Under Plans</b>	<b>467</b>	<b>3,483</b>	<b>-</b>	<b>65</b>	<b>(791)</b>	<b>-</b>	<b>3,224</b>	25,326	28,550	-	-
S93F Planning Agreements	6,083	308	846	-	(188)	-	6,203	18,744	24,947	-	-
<b>Total Contributions</b>	<b>6,550</b>	<b>3,791</b>	<b>846</b>	<b>65</b>	<b>(979)</b>	<b>-</b>	<b>9,427</b>	-	-	-	-

**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	467	3,483	-	65	(791)	-	3,224	-	-	-	-
<b>Total</b>	<b>467</b>	<b>3,483</b>	<b>-</b>	<b>65</b>	<b>(791)</b>	<b>-</b>	<b>3,224</b>	-	-	-	-

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

### LIABILITIES NOT RECOGNISED:

#### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

##### (ii) StateCover Limited

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

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

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

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

##### (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.

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities (continued)

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

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

At reporting date, all known costs have been

recognised, but the amount of further costs cannot be known until the appeals are determined.

##### 3. Remediation costs associated with the sale of the Waverley Portman Depot

The sale of the land is contingent on Council carrying out remediation works to the site prior to contract completion. The remediation work will be at council's expense and includes the removal and clearance of the improvements, fixtures, rubble and debris. The costs of such work can not be reliably measured at the time completing these financial statements.

#### ASSETS NOT RECOGNISED:

##### (i) Affordable Housing

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

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

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

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

##### (ii) Land Under Roads

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

\$ '000	Notes	Actual 2014	Actual 2013
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##### (a) Retained Earnings

###### Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		585,069	572,875
a. Net Operating Result for the Year		10,052	10,340
b. Transfers between Equity		883	1,854
<b>Balance at End of the Reporting Period</b>		<b>596,004</b>	<b>585,069</b>

##### (b) Reserves

###### (i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		293,186	294,069
<b>Total</b>		<b>293,186</b>	<b>294,069</b>

###### (ii) Reconciliation of movements in Reserves:

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		294,069	245,709
- Revaluations for the year	9(a)	-	50,303
- Transfer to Retained Earnings for Asset disposals		(883)	(1,854)
- Correction of Prior Period Errors	20(c)	-	(89)
<b>- Balance at End of Year</b>		<b>293,186</b>	<b>294,069</b>

###### TOTAL VALUE OF RESERVES

<b>293,186</b>	<b>294,069</b>
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###### (iii) Nature & Purpose of Reserves

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
As part of the revaluation of the Building and Operation Land asset class, Council identified one residential unit building (91-93 O'Brien Street) had been incorrectly recognised as being co-owned by Council. This resulted in the carrying value for the Non-Specialised Building Asset Class being over stated. To correct this error the opening balance for the Infrastructure, Property, Plant & Equipment (IPP&E) asset class was decreased. This adjustment resulted in a decrease to the opening 1 July 2011 Retained Earnings Balance.			
			(89)
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		-	(89)
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>-</b>	<b>(89)</b>

## (d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

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

Council utilises only a General Fund for its operations.

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
<b>(i) Non Current Assets &amp; Disposal Group Assets</b>				
<b>Non Current Assets "Held for Sale"</b>				
Land	34,685	-	34,685	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>34,685</b>	<b>-</b>	<b>34,685</b>	<b>-</b>
<b>Disposal Group Assets "Held for Sale"</b>				
None				
<b>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</b>	<b>34,685</b>	<b>-</b>	<b>34,685</b>	<b>-</b>

**(ii) Details of Assets & Disposal Groups**

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

\$ '000	Assets "Held for Sale"	
	2014	2013
<b>(iii) Reconciliation of Non Current Assets "Held for Sale" &amp; Disposal Groups - i.e. Discontinued Operations</b>		
<b>Opening Balance</b>	34,685	44,955
<b>less: Carrying Value of Assets/Operations Sold</b>	-	(10,270)
<b>Balance still unsold after 12 months:</b>	<b>34,685</b>	<b>34,685</b>
<b>Closing Balance of "Held for Sale" Non Current Assets &amp; Operations</b>	<b>34,685</b>	<b>34,685</b>

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 23. Events occurring after the Reporting Date

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\$ '000

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Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28/10/14.

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

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

Note 22 reflects non-current assets (Waverley Portman Depot) held for sale with a carrying amount of \$34.685 million. On 3 September 2013 a conditional contract for sale of the Waverley Portman Depot was executed for \$82 million (ex GST) with settlement due in December 2014.

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

#### Note 24. Discontinued Operations

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

#### Note 25. Intangible Assets

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Intangible Assets represent identifiable non-monetary assets 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

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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 2014

#### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets

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

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

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

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

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

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Financial Assets</b>					
Investments					
- "Held for Trading"	30/6/14	-	-	10,640	10,640
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>10,640</b>	<b>10,640</b>
<b>Investment Properties</b>					
Investment Properties	30/6/14	-	30,350	93,850	124,200
<b>Total Investment Properties</b>		<b>-</b>	<b>30,350</b>	<b>93,850</b>	<b>124,200</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Buildings - Non specialised	30/6/14	-	-	68,732	68,732
Buildings Special	30/6/14	-	-	59,906	59,906
Community Land	30/6/14	-	-	145,835	145,835
Operational Land	30/6/14	-	-	69,564	69,564
Footpaths	30/6/14	-	-	28,684	28,684
Roads	30/6/14	-	-	177,883	177,883
Stormwater Drainage	30/6/14	-	-	72,497	72,497
Office Equipment & Furniture	30/6/14	-	-	1,121	1,121
Plant & Equipment	30/6/14	-	-	7,772	7,772
Open Space & Recreation	30/6/14	-	-	49,860	49,860
Library Books and Resources	30/6/14	-	-	1,152	1,152
Other Structure	30/6/14	-	-	5,459	5,459
Other Assets	30/6/14	-	-	4,214	4,214
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>692,679</b>	<b>692,679</b>

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

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##### **(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies**

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

##### **(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values**

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

##### **Financial Assets**

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

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##### **Investment Properties**

The valuation of Council's investment properties was undertaken at June 2014 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

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

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

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

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

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## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

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##### Operational Land

The asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144.

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

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

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

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##### Community Land

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

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##### Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2013. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

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##### Roads

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

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design,

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

##### Footpaths

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

##### Stormwater Drainage

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

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

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

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

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

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

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

## Waverley Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

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##### Other Open Space / Recreational Assets

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

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##### Library Books and Resources

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

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

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##### Other Structures

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

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

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##### Other Assets

This asset class comprises trees and other miscellaneous assets.

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

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## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

\$ '000

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

## a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Investment Properties	Buildings	Land	Total
Adoption of AASB 13	89,920	127,506	215,728	433,154
Purchases (GBV)	-	9,137	-	9,137
Disposals (WDV)	-	(1,334)	(329)	(1,663)
Depreciation & Impairment	-	(6,670)	-	(6,670)
FV Gains - Other Comprehensive Income	3,930	-	-	3,930
<b>Closing Balance - 30/6/14</b>	<b>93,850</b>	<b>128,639</b>	<b>215,399</b>	<b>437,888</b>

	Plant & Equipment	Infrastructure	Other Assets	Total
Adoption of AASB 13	12,840	334,660	1,185	348,685
Transfers from/(to) another asset class	7	7	(14)	-
Purchases (GBV)	2,514	8,427	211	11,152
Disposals (WDV)	(85)	-	-	(85)
Depreciation & Impairment	(2,174)	(8,707)	(229)	(11,110)
<b>Closing Balance - 30/6/14</b>	<b>13,102</b>	<b>334,387</b>	<b>1,153</b>	<b>348,642</b>

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

## Financial Assets

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Investments – At fair value through profit or loss	10,640	Cost	<ul style="list-style-type: none"> <li>Unit Price</li> </ul>	<ul style="list-style-type: none"> <li>\$0.70 to \$1.00</li> </ul>	Significant changes in the estimated unit price would result in significant changes to fair value measurement.

## Investment Properties

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Commercial Office, Retail and Carpark	93,850	Cost	<ul style="list-style-type: none"> <li>Estimated rental Value (rate per square metre)</li> <li>Rental Yield</li> </ul>	<ul style="list-style-type: none"> <li>5%</li> </ul>	Significant changes in the estimated rental value or yield would result in significant changes to fair value measurement

## I,PP&amp;E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings	128,638	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>20 – 60 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Community Land	145,835	Cost	<ul style="list-style-type: none"> <li>Price Per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$2 – \$2000 per square metre</li> </ul>	Significant changes in price per square metre would result in significant changes to fair value measurement
Operational Land	69,564	Cost	<ul style="list-style-type: none"> <li>Price Per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$ 600- \$5,000 per square metre</li> </ul>	Significant changes in price per square metre would result in significant changes to fair value measurement

## Waverley Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Footpaths	28,684	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>25 – 100 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Roads	177,883	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>25 – 100 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Stormwater Drainage	72,497	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>25 – 100 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Plant & Equipment	7,772	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>2 - 20 years</li> </ul>	Significant changes in gross replacement value or remaining useful life would result in significant changes to fair value measurement.
Open Space & Recreation	49,860	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>10 – 100 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Library Books and Resource	1,152	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>5 years</li> </ul>	Significant changes in gross replacement value or remaining useful life would result in significant changes to fair value measurement.
Other Structures	5,459	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Asset Condition</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>Very Poor to Excellent</li> <li>10 – 100 years</li> </ul>	Significant changes in gross replacement value, asset condition or remaining useful life would result in significant changes to fair value measurement.
Other Assets	4,214	Cost	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies</li> <li>2 - 20 years</li> </ul>	Significant changes in gross replacement value or remaining useful life would result in significant changes to fair value measurement.

**(5). Highest and best use**

All assets valued at fair value in this note are being used for their highest and best use.

## Waverley Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 28. Financial Review

\$ '000

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

<b>Financial Performance Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
<b>Inflows:</b>					
Rates & Annual Charges Revenue	<b>52,867</b>	47,283	41,608	38,673	36,737
User Charges Revenue	<b>31,977</b>	28,222	25,483	24,610	23,657
Interest & Investment Revenue (Losses)	<b>2,637</b>	2,647	3,054	3,016	2,274
Grants Income - Operating & Capital	<b>6,192</b>	6,972	8,597	7,238	6,238
Total Income from Continuing Operations	<b>123,078</b>	115,462	100,702	93,857	92,437
Sale Proceeds from I,PP&E	<b>167</b>	10,315	53	94	1,783
New Loan Borrowings & Advances	-	2,500	-	-	-
<b>Outflows:</b>					
Employee Benefits & On-cost Expenses	<b>54,229</b>	50,682	48,500	47,966	46,949
Borrowing Costs	<b>189</b>	194	246	327	401
Materials & Contracts Expenses	<b>17,974</b>	17,301	15,762	16,232	19,188
Total Expenses from Continuing Operations	<b>113,026</b>	105,122	100,376	98,631	91,542
Total Cash purchases of I,PP&E	<b>24,093</b>	22,819	15,855	13,904	10,529
Total Loan Repayments (incl. Finance Leases)	<b>1,252</b>	1,400	1,185	1,345	1,377
Operating Surplus/(Deficit) (excl. Capital Income)	<b>187</b>	3,538	(4,588)	(9,697)	(3,101)
<b>Financial Position Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
Current Assets	<b>95,600</b>	88,045	66,129	41,563	42,615
Current Liabilities	<b>39,860</b>	33,714	32,254	32,411	30,113
Net Current Assets	<b>55,740</b>	54,331	33,875	9,152	12,502
Available Working Capital (Unrestricted Net Current Assets)	<b>31,295</b>	42,001	26,638	5,503	4,174
Cash & Investments - Unrestricted	<b>2,077</b>	6,427	6,227	3,041	1,045
Cash & Investments - Internal Restrictions	<b>41,536</b>	34,584	27,491	32,981	36,245
Cash & Investments - Total	<b>57,013</b>	51,588	43,168	45,356	48,220
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>3,035</b>	4,287	3,187	4,372	5,717
Total Value of I,PP&E (excl. Land & Earthworks)	<b>831,297</b>	811,780	756,362	742,996	722,347
Total Accumulated Depreciation	<b>341,518</b>	331,883	313,736	297,513	279,719
Indicative Remaining Useful Life (as a % of GBV)	59%	59%	59%	60%	61%

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

## Waverley Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 29. Council Information & Contact Details

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##### Principal Place of Business:

Cnr. Paul St and Bondi Rd  
Bondi Junction NSW 2022

##### Contact Details

##### Mailing Address:

PO Box 9  
Bondi Junction NSW 1355

##### Opening Hours:

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

**Telephone:** 02 9369 8000

**Facsimile:** 02 9387 1820

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

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

##### Officers

##### GENERAL MANAGER

Athanasios (Arthur) Kyron

##### RESPONSIBLE ACCOUNTING OFFICER

Francesco Rombola

##### PUBLIC OFFICER

Robert Russo

##### AUDITORS

Hill Rogers Spencer Steer, Chartered Accountants  
Level 5, 1 Chifley Square, Sydney

##### Elected Members

##### MAYOR

Sally Betts

##### COUNCILLORS

Clr Andrew Cusack

Clr Angela Burrill

Clr Bill Mouroukas

Clr Dominic Wy Kanak

Clr Ingrid Strewe

Clr John Wakefield

Clr Joy Clayton

Clr Leon Goltsman

Clr Miriam Guttman-Jones

Clr Paula Masselos

Clr Tony Kay

##### Other Information

**ABN:** 12 502 583 608

**WAVERLEY COUNCIL**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of Waverley Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

***Responsibility of Council for the Financial Statements***

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

***Auditors' Responsibility***

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

**Assurance Partners**

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Steer Assurance Partners

ABN 56 435 338 966

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

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

### **Independence**

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

### **Auditor's Opinion**

In our opinion,

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

### **HILL ROGERS SPENCER STEER**



### **BRETT HANGER**

Partner

Dated at Sydney this 28th day of October 2014

28 October 2014

The Mayor  
Waverley Council  
PO Box 9  
**BONDI JUNCTION NSW 2022**

Mayor,

### **Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 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 financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

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

#### **I. RESULTS FOR THE YEAR**

##### **1.1 Operating Result**

The operating result for the year was a surplus of \$10.052 million as compared with \$10.340 million in the previous year.

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

	2014 \$000	% of Total	2013 \$000	% of Total (Decrease)	Increase \$000
<b>Revenues before capital items</b>					
Rates & annual charges	52,867	47%	47,283	44%	5,584
User charges, fees & other revenues	50,923	45%	51,622	48%	(699)
Grants & contributions provided for operating purposes	6,786	6%	7,108	7%	(322)
Interest & investment revenue	2,637	2%	2,647	2%	(10)
	<b>113,213</b>	<b>100%</b>	<b>108,660</b>	<b>100%</b>	<b>4,553</b>
<b>Expenses</b>					
Employee benefits & costs	54,229	48%	50,682	48%	3,547
Materials, contracts & other expenses	40,710	36%	38,531	37%	2,179
Depreciation, amortisation & impairment	17,898	16%	15,715	15%	2,183
Borrowing costs	189	0%	194	0%	(5)
	<b>113,026</b>	<b>100%</b>	<b>105,122</b>	<b>100%</b>	<b>7,904</b>
<b>Surplus (Deficit) before capital items</b>	<b>187</b>		<b>3,538</b>		<b>(3,351)</b>
Grants & contributions provided for capital purposes	9,865		6,802		3,063
<b>Net Surplus (Deficit) for the year</b>	<b>10,052</b>		<b>10,340</b>		<b>(288)</b>
<b>Performance Measures</b>					
	<b>2014</b>		<b>2013</b>		
Operating Performance	0.09%		-1.92%		
Own Source Operating Revenue	86.29%		87.35%		

The above table shows an overall decrease of \$288,000 from the previous year. Rates and annual charges increased by \$5.584 million, or 12%, from the previous year. Capital grants and contributions increased by \$3.063 million; mainly due to the receipt of the non-cash dedication of the North Bondi Surf Clubhouse; valued at \$4.943 million. These increases in revenue were offset by an overall increase in operating expenses of \$7.904 million.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was 0.09% and exceeded the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 86.29% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

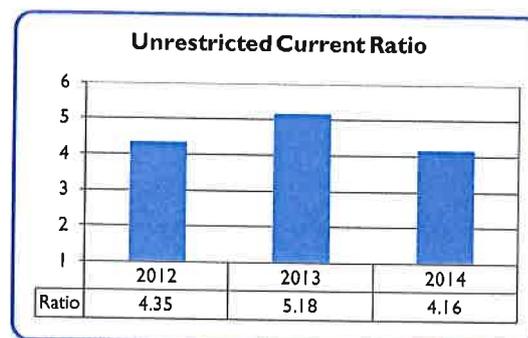
	2014	2013
	\$000	\$000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>10,052</b>	<b>10,340</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	17,898	15,715
- Book value of non-current assets sold	1,728	356
- Non-cash contributions of assets acquired	(5,789)	0
- (Gain)/Loss of fair value to investment properties	(1,320)	(5,057)
	<u>22,569</u>	<u>21,354</u>
Decrease/Redemption of non-current investments	2,200	0
New loan borrowings	0	2,500
Transfers from externally restricted assets (net)	0	2,697
Repayments from deferred debtors	23	28
Net Changes in current/non-current assets & liabilities	8,499	25,372
	<u>33,291</u>	<u>51,951</u>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(23,410)	(24,053)
Increase/Purchase in non-current investments	0	(4,000)
Principal repaid on loans	(1,252)	(1,400)
Transfers to externally restricted assets (net)	(4,397)	0
Transfers to internal reserves (net)	(6,952)	(23,538)
	<u>(36,011)</u>	<u>(52,991)</u>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>(2,720)</b>	<b>(1,040)</b>

## 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 \$65.637 million representing a factor of 4.16 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$5.605 million as detailed below;

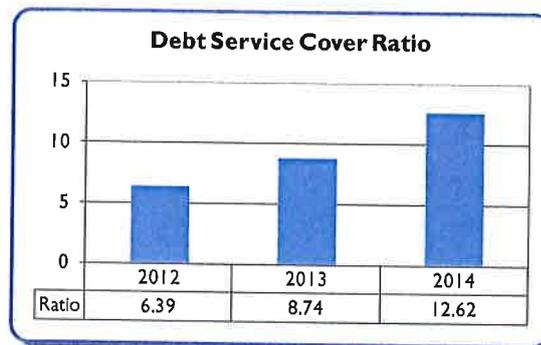
	2014 \$000	2013 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>55,740</b>	<b>54,331</b>	<b>1,409</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	18,197	17,288	909
<b>Adjusted Net Current Assets</b>	<b>73,937</b>	<b>71,619</b>	<b>2,318</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	1,117	1,252	(135)
- Employees leave entitlements	6,901	6,209	692
- Deposits & retention moneys	8,203	2,449	5,754
- Deferred debtors	(32)	(32)	0
<b>Less:</b> Externally restricted assets	(8,300)	(3,903)	(4,397)
<b>Less:</b> Internally restricted assets	(76,221)	(69,269)	(6,952)
<b>Available Working Capital as at 30 June</b>	<b>5,605</b>	<b>8,325</b>	<b>(2,720)</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$1.438 million, total debt as at 30 June 2014 stood at \$3.035 million (2013 - \$4.287 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 12.62 to 1.



## 2.4 Summary

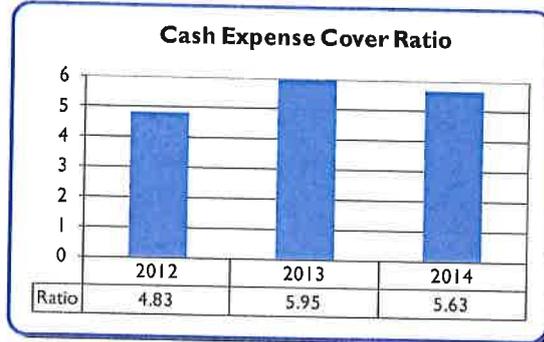
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

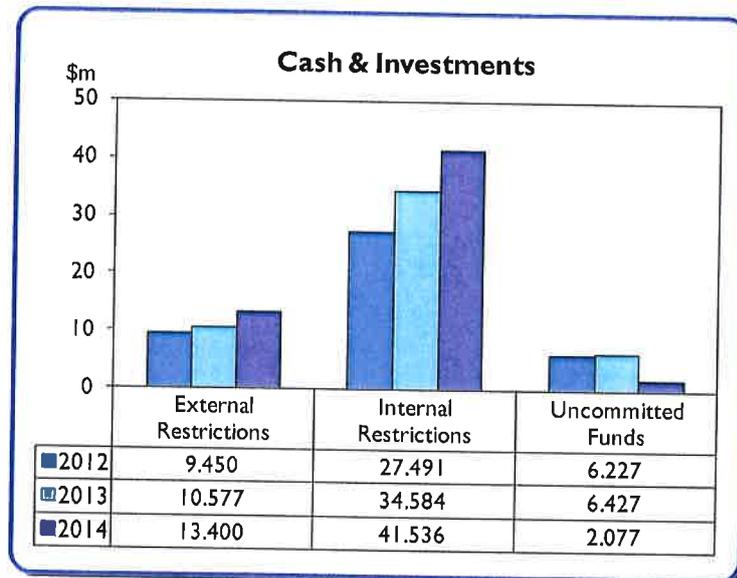
For 2014, this ratio stood at 5.63 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$57.013 million at 30 June 2014 as compared with \$51.588 million in 2013 and \$43.168 million in 2012.

The chart alongside summarises the purposes for which cash and investments securities 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 \$9.427 million, domestic waste management charges of \$3.112 million and other specific purpose grants and contributions of \$861,000.

**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 \$41.536 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$2.077 million, which is available to provide liquidity for day to day operations.

### 3.3 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 increased by \$9.211 million to \$18.573 million at the close of the year.

In addition to operating activities which contributed net cash of \$30.25 million were the proceeds from the sale of investment securities (\$66.15 million), sale of assets (\$167,000) and receipts from deferred debtors (\$23,000). Cash outflows other than operating activities were used to purchase investment securities (\$62.034 million), repay loans (\$1.252 million) and to purchase and construct assets (\$24.093 million).

## 4. RECEIVABLES

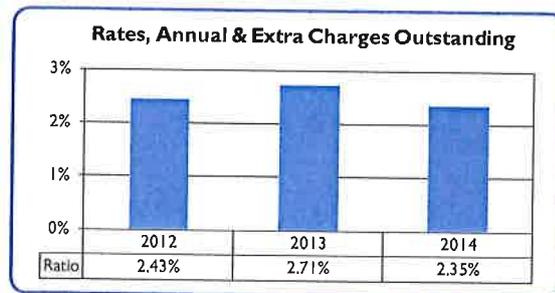
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$52.867 million and represented 43% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$53.981 million of which \$52.9 million (98%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.275 million at the end of the year and represented 2.35% of those receivables.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$10.517 million and included parking fines of \$6.959 million. Those considered to be uncertain of collection have been provided for as doubtful debts amounting to \$2.251 million of which unpaid parking fines accounted for \$2.184 million.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$18.209 million. Internally restricted cash and investments of \$4.796 million was held representing 26% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

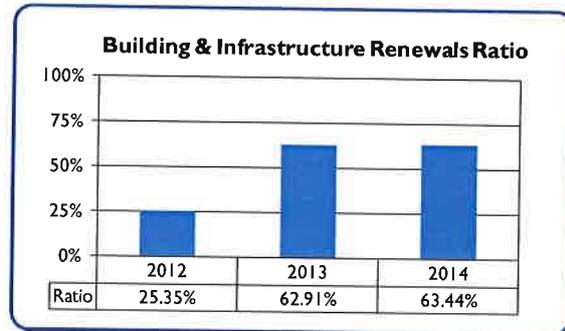
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$15.634 million and included a deposit of \$8.2 million in respect to the Waverley Portman Depot. These liabilities were fully funded by internally restricted cash and investments.

## 6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 63% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 11 April 2014 and included our recommendations on possible ways to strengthen and/or improve procedures.

## 8. CONCLUSION

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

Yours faithfully,

**HILL ROGERS SPENCER STEER**

**BRETT HANGER**

Partner

# Waverley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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



## Waverley Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

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

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#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the 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).

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## Waverley Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

### 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:

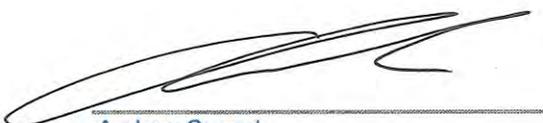
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 14 October 2014.



Sally Betts  
MAYOR



Andrew Cusack  
COUNCILLOR



Athanasios (Arthur) Kyron  
GENERAL MANAGER



Francesco Rombola  
RESPONSIBLE ACCOUNTING OFFICER

## Waverley Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	7,022	6,113	2,766	2,577
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	1,320	4,879	32	-
<b>Total income from continuing operations</b>	<b>8,342</b>	<b>10,992</b>	<b>2,798</b>	<b>2,577</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	492	591	957	923
Borrowing costs	-	-	-	-
Materials and contracts	955	1,008	36	40
Depreciation and impairment	150	49	37	3
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	760	770	1,563	1,554
<b>Total expenses from continuing operations</b>	<b>2,357</b>	<b>2,418</b>	<b>2,593</b>	<b>2,520</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>5,985</b>	<b>8,574</b>	<b>205</b>	<b>57</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>5,985</b>	<b>8,574</b>	<b>205</b>	<b>57</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>5,985</b>	<b>8,574</b>	<b>205</b>	<b>57</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,796)	(2,572)	(62)	(17)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,190</b>	<b>6,002</b>	<b>144</b>	<b>40</b>
plus Opening Retained Profits	117,899	113,190	114	77
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,796	2,572	62	17
add:				
- Subsidy Paid/Contribution To Operations	374	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	(3,865)	(197)	(20)
<b>Closing Retained Profits</b>	<b>124,258</b>	<b>117,899</b>	<b>122</b>	<b>114</b>
Return on Capital %	n/a	n/a	585.7%	80.3%
Subsidy from Council	-	-	-	-

## Waverley Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Cemetery	
	Category 2	
	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	1,280	1,232
Fees	-	-
Interest	69	74
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	2	25
<b>Total income from continuing operations</b>	<b>1,351</b>	<b>1,331</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	640	614
Borrowing costs	-	-
Materials and contracts	448	377
Depreciation and impairment	61	45
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	98	115
<b>Total expenses from continuing operations</b>	<b>1,247</b>	<b>1,151</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>104</b>	<b>180</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>104</b>	<b>180</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>104</b>	<b>180</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(31)	(54)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>73</b>	<b>126</b>
plus Opening Retained Profits	18,551	18,783
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	31	54
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(363)	(412)
<b>Closing Retained Profits</b>	<b>18,292</b>	<b>18,551</b>
<b>Return on Capital %</b>	<b>0.4%</b>	<b>0.6%</b>
<b>Subsidy from Council</b>	<b>942</b>	<b>944</b>

## Waverley Council

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

as at 30 June 2014

\$ '000	Property		Commercial Waste	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	245	50	151	147
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>245</b>	<b>50</b>	<b>151</b>	<b>147</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	35	71
Investments accounted for using equity method	-	-	-	-
Investment property	124,200	118,170	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>124,200</b>	<b>118,170</b>	<b>35</b>	<b>71</b>
<b>TOTAL ASSETS</b>	<b>124,445</b>	<b>118,220</b>	<b>186</b>	<b>218</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	-	179	-	47
Interest bearing liabilities	-	-	-	-
Provisions	110	65	64	57
<b>Total Current Liabilities</b>	<b>110</b>	<b>244</b>	<b>64</b>	<b>104</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>110</b>	<b>244</b>	<b>64</b>	<b>104</b>
<b>NET ASSETS</b>	<b>124,335</b>	<b>117,976</b>	<b>122</b>	<b>114</b>
<b>EQUITY</b>				
Retained earnings	124,258	117,899	122	114
Revaluation reserves	77	77	-	-
Council equity interest	<b>124,335</b>	<b>117,976</b>	<b>122</b>	<b>114</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>124,335</b>	<b>117,976</b>	<b>122</b>	<b>114</b>

## Waverley Council

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

as at 30 June 2014

Cemetery

Category 2

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,823	1,704
Investments	-	-
Receivables	11	6
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>1,834</b>	<b>1,710</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	29,395	29,823
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>29,395</b>	<b>29,823</b>
<b>TOTAL ASSETS</b>	<b>31,229</b>	<b>31,533</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	154	199
<b>Total Current Liabilities</b>	<b>154</b>	<b>199</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>154</b>	<b>199</b>
<b>NET ASSETS</b>	<b>31,075</b>	<b>31,334</b>
<b>EQUITY</b>		
Retained earnings	18,292	18,551
Revaluation reserves	12,783	12,783
Council equity interest	31,075	31,334
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>31,075</b>	<b>31,334</b>

## Waverley Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### 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 2014

#### Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- 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, 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 Office 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 2014

#### Note 1. Significant Accounting Policies

##### (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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

##### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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 each reported Business Activity.

## Waverley Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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##### **(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 3.56% at 30/6/14.

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 Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

***Responsibility of Council for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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Steer Assurance Partners

ABN 56 435 338 966

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

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

***Independence***

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

***Auditor's Opinion***

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

***Basis of Accounting***

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

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 28th day of October 2014

# Waverley Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

---

*"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 2014

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### Background

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

## Waverley Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	-	-	-	-
<b>Administration</b>	10,045	2,890	4,943	(2,212)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,943	137	-	(1,806)
Beach Control	3,432	694	-	(2,738)
Enforcement of Local Govt. Regulations	1,520	1,885	-	365
Animal Control	48	43	-	(5)
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	<b>6,943</b>	<b>2,759</b>	-	<b>(4,184)</b>
<b>Health</b>	<b>972</b>	<b>293</b>	-	<b>(679)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	6	-	-	(6)
Other Environmental Protection	1,565	209	-	(1,356)
Solid Waste Management	16,273	16,903	-	630
Street Cleaning	3,543	1	-	(3,542)
Drainage	1,714	-	-	(1,714)
Stormwater Management	268	-	-	(268)
<b>Total Environment</b>	<b>23,369</b>	<b>17,113</b>	-	<b>(6,256)</b>
<b>Community Services and Education</b>				
Administration & Education	1,630	1	-	(1,629)
Social Protection (Welfare)	77	-	-	(77)
Aged Persons and Disabled	1,979	1,325	-	(654)
Children's Services	6,818	6,900	-	82
<b>Total Community Services &amp; Education</b>	<b>10,504</b>	<b>8,226</b>	-	<b>(2,278)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	1,264	1,350	-	86
Public Conveniences	134	-	-	(134)
Street Lighting	1,137	172	-	(965)
Town Planning	7,293	4,573	4,637	1,917
Other Community Amenities	169	16	-	(153)
<b>Total Housing and Community Amenities</b>	<b>9,997</b>	<b>6,111</b>	<b>4,637</b>	<b>751</b>

## Waverley Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	5,852	346	-	(5,506)
Museums	-	-	-	-
Art Galleries	20	-	-	(20)
Community Centres and Halls	331	-	-	(331)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	4,098	607	-	(3,491)
Sporting Grounds and Venues	1,550	272	-	(1,278)
Swimming Pools	162	-	-	(162)
Parks & Gardens (Lakes)	9,299	343	80	(8,876)
Other Sport and Recreation	457	53	-	(404)
<b>Total Recreation and Culture</b>	<b>21,769</b>	<b>1,621</b>	<b>80</b>	<b>(20,068)</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	920	197	-	(723)
Other Mining, Manufacturing & Construction	18	-	-	(18)
<b>Total Mining, Manufacturing and Const.</b>	<b>938</b>	<b>197</b>	<b>-</b>	<b>(741)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	9,443	1,235	203	(8,005)
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	14,428	26,816	2	12,390
Footpaths	3,560	2	-	(3,558)
Aerodromes	-	-	-	-
Other Transport & Communication	7	1,271	-	1,264
<b>Total Transport and Communication</b>	<b>27,438</b>	<b>29,324</b>	<b>205</b>	<b>2,091</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,051	1,780	-	729
<b>Total Economic Affairs</b>	<b>1,051</b>	<b>1,780</b>	<b>-</b>	<b>729</b>
<b>Totals – Functions</b>	<b>113,026</b>	<b>70,314</b>	<b>9,865</b>	<b>(32,847)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>42,899</b>		<b>42,899</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>113,026</b>	<b>113,213</b>	<b>9,865</b>	<b>10,052</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

# Waverley Council

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

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,252	3,017	<b>4,269</b>	-	1,252	-	-	186	1,117	1,900	<b>3,017</b>
Other	-	18	<b>18</b>	-	-	-	-	-	-	18	<b>18</b>
<b>Total Loans</b>	<b>1,252</b>	<b>3,035</b>	<b>4,287</b>	-	<b>1,252</b>	-	-	<b>186</b>	<b>1,117</b>	<b>1,918</b>	<b>3,035</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>1,252</b>	<b>3,035</b>	<b>4,287</b>	<b>-</b>	<b>1,252</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>1,117</b>	<b>1,918</b>	<b>3,035</b>

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

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (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 2014

\$'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	2,815	336	2,129
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
<b>Totals</b>	<b>2,815</b>	<b>336</b>	<b>2,129</b>

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

#### Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General	Domestic	12/01/11	30/11/10	10	30/06/20	4.83%	817	103	476
	Waste	12/01/11	30/11/11	10	30/06/21	4.88%	677	82	507
	Management	12/01/11	30/11/12	10	30/06/22	3.22%	666	76	549
		12/01/11	30/11/13	10	30/06/23	2.94%	655	75	597
<b>Totals</b>							<b>2,815</b>	<b>336</b>	<b>2,129</b>

# Waverley Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Buildings</b>	Council Offices / Administration Centres	-	649	1,059	11,174		100%			0%
	Council Works Depot	-	176	287	200		100%			0%
	Council Public Halls	-	857	1,398	42,684		94%	6%		0%
	Libraries	-	675	1,101	28,658		100%			0%
	Other Buildings	-	1,932	3,151	38,288		87%	13%		0%
	Specialised Buildings	-	186	303	7,634		84%	16%		0%
	<b>sub total</b>	<b>-</b>	<b>4,475</b>	<b>7,299</b>	<b>72,999</b>	<b>128,638</b>	<b>0.0%</b>	<b>93.2%</b>	<b>6.8%</b>	<b>0.0%</b>
<b>Other Structures</b>	Other Structures	1,817	288	188	5,459	43%	19%	8%	30%	0%
	<b>sub total</b>	<b>1,817</b>	<b>288</b>	<b>188</b>	<b>5,459</b>	<b>43.0%</b>	<b>19.0%</b>	<b>8.0%</b>	<b>30.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed Roads Surface	1,852	1,436	1,719	47,435	32%	60%	6%	2%	0%
	Sealed Roads Structure	-	-	-	65,507		100%			0%
	Footpaths	8,455	1,519	1,255	28,728	52%	35%	12%	1%	0%
	Kerb and Gutter	-	1,519	812	53,795	49%	35%	13%	3%	0%
	Other Road Assets	-	284	15	11,109	46%	41%	10%	1%	2%
	<b>sub total</b>	<b>10,307</b>	<b>4,758</b>	<b>3,801</b>	<b>147,674</b>	<b>206,567</b>	<b>29.8%</b>	<b>61.7%</b>	<b>7.0%</b>	<b>1.4%</b>

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	-	217	355	59,768	13%	75%	12%	0%	0%
	Inlet and Junction Pits	-	83	137	12,729	24%	73%	3%	0%	0%
	<b>sub total</b>	<b>-</b>	<b>300</b>	<b>492</b>	<b>72,497</b>	<b>14.9%</b>	<b>74.6%</b>	<b>10.4%</b>	<b>0.0%</b>	<b>0.0%</b>
Open Space / Recreational Assets	Other Open Space/Recreation Assets	-	571	429	49,859	30%	44%	23%	3%	0%
	<b>sub total</b>	<b>-</b>	<b>571</b>	<b>429</b>	<b>49,859</b>	<b>30.0%</b>	<b>44.0%</b>	<b>23.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>12,124</b>	<b>10,392</b>	<b>12,209</b>	<b>463,020</b>	<b>19.4%</b>	<b>70.1%</b>	<b>9.2%</b>	<b>1.3%</b>	<b>0.0%</b>

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Waverley Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013    2012	
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	<u>9,711</u>	<b>63.44%</b>	60.35%	25.00%
Depreciation, Amortisation & Impairment	<u>15,308</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>12,124</u>	<b>0.03</b>	0.02	0.07
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>463,021</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>12,209</u>	<b>1.17</b>	1.03	0.83
Required Asset Maintenance	<u>10,392</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>27,451</u>	<b>1.53</b>	1.51	0.98
Annual Depreciation	<u>17,898</u>			

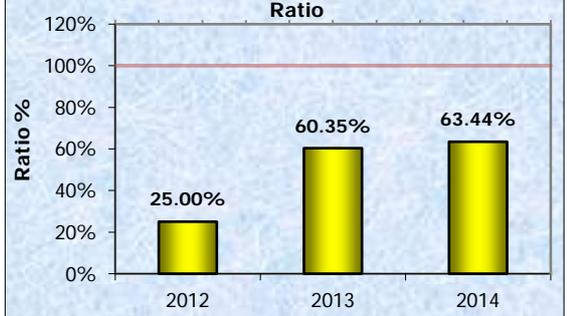
## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Written down value

# Waverley Council

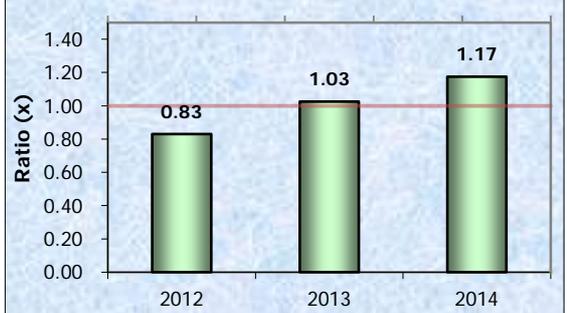
## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

<b>1. Building and Infrastructure Renewals Ratio</b> 	<b>Purpose of Asset Renewals Ratio</b>  To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	<b>Commentary on 2013/14 Result</b>  <b>2013/14 Ratio 63.44%</b>  this measure reflects an improvement in asset renewal expenditure over recent years though lower than TCorp benchmark of 100%
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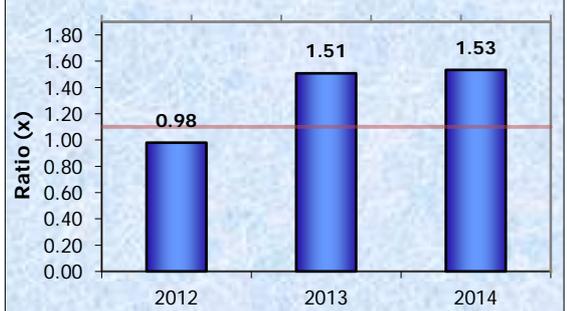
— Minimum 100.00%  
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

<b>2. Infrastructure Backlog Ratio</b> 	<b>Purpose of Infrastructure Backlog Ratio</b>  This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	<b>Commentary on 2013/14 Result</b>  <b>2013/14 Ratio 0.03 x</b>  This ratio shows that Waverley Council has a small proportion of infrastructure backlog.
--	--	--

— Maximum .02  
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

<b>3. Asset Maintenance Ratio</b> 	<b>Purpose of Asset Maintenance Ratio</b>  Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.	<b>Commentary on 2013/14 Result</b>  <b>2013/14 Ratio 1.17 x</b>  This ratio indicates Waverley Council's spending on Asset Maintenance is sufficient to stop the infrastructure backlog from growing and exceeds the Tcorp benchmark of greater than 1.0x.
--	---	---

— Minimum 1.00  
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

<b>4. Capital Expenditure Ratio</b> 	<b>Purpose of Capital Expenditure Ratio</b>  To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.	<b>Commentary on 2013/14 Result</b>  <b>2013/14 Ratio 1.53 x</b>  This ratio indicates that Waverley Council's spend on both new, replacement and renewal of existing assets, compares favourably with the Tcorp benchmark of greater than 1.10x
--	--	--

— Minimum 1.10  
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

# Waverley Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	123,078	216,511	132,131	136,028	138,860	139,849	143,863	148,606	154,563	157,511	161,223
Expenses from continuing operations	113,026	117,080	119,785	124,935	128,111	132,275	136,762	141,552	145,346	149,704	153,174
<b>Operating Result from Continuing Operations</b>	<b>10,052</b>	<b>99,431</b>	<b>12,346</b>	<b>11,093</b>	<b>10,749</b>	<b>7,574</b>	<b>7,101</b>	<b>7,054</b>	<b>9,217</b>	<b>7,807</b>	<b>8,049</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	-	10,645	7,050	20,400	12,150	12,050	13,900	12,050	100	1,950	100
Replacement/Refurbishment of Existing Assets	-	33,978	29,463	30,808	27,822	23,948	26,727	23,131	23,078	22,790	14,987
<b>Total Capital Budget</b>	<b>-</b>	<b>44,623</b>	<b>36,513</b>	<b>51,208</b>	<b>39,972</b>	<b>35,998</b>	<b>40,627</b>	<b>35,181</b>	<b>23,178</b>	<b>24,740</b>	<b>15,087</b>
<b>Funded by:</b>											
- Loans	-	3,088	4,500	13,110	1,000	1,000	1,000	-	-	-	-
- Asset sales	-	7,248	500	-	-	-	-	-	-	-	-
- Reserves	-	17,558	13,848	17,716	21,918	14,840	19,157	8,947	4,209	3,129	2,135
- Grants/Contributions	-	7,003	6,299	8,953	4,998	4,635	5,394	4,832	4,126	4,444	3,289
- Recurrent revenue	-	9,726	11,366	11,429	12,056	15,523	15,076	21,402	14,843	17,167	9,663
- Other	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>44,623</b>	<b>36,513</b>	<b>51,208</b>	<b>39,972</b>	<b>35,998</b>	<b>40,627</b>	<b>35,181</b>	<b>23,178</b>	<b>24,740</b>	<b>15,087</b>

### Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Waverley Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	35,667	40,186
Plus or minus Adjustments <sup>(2)</sup>	b	78	220
<b>Notional General Income</b>	c	<b>35,745</b>	<b>40,406</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	12.40%	0.00%
or Rate peg percentage	e	0.00%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	4,432.38	-
or plus Rate peg amount	i = c x e	-	929
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>40,177</b>	<b>41,335</b>
plus (or minus) last year's Carry Forward Total	l	20	11
less Valuation Objections claimed in the previous year	m	-	-
<b>sub-total</b>	n = (l + m)	<b>20</b>	<b>11</b>
<b>Total Permissible income</b>	o = k + n	<b>40,197</b>	<b>41,347</b>
less Notional General Income Yield	p	40,186	41,354
<b>Catch-up or (excess) result</b>	q = o - p	<b>11</b>	<b>(7)</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	-	-
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>11</b>	<b>(7)</b>

**Notes**

- <sup>1</sup> The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- <sup>2</sup> Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- <sup>5</sup> Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

**WAVERLEY COUNCIL**  
**SPECIAL SCHEDULE NO. 9**  
**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON SPECIAL SCHEDULE NO. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Waverley Council for the year ending 30 June 2015.

***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. 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 Special Schedule No. 9 that is 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 Special Schedule No. 9 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 Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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 entity's internal control.

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.

**Audit Opinion**

In our opinion, Special Schedule No. 9 of Waverley Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 28th day of October 2014

## **Waverley Council**

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