

# FINANCIAL REPORT

in Plain English

## Introduction

The General Purpose Financial Report shows how the Council performs financially during the 2006/07 financial year and presents the financial position as at the end of the financial year.

Council presents its financial report in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs). Particular terms required by these Standards may not be familiar to some readers. Further, Council is a “not-for-profit” organisation and some of the generally recognised terms used in the private sector corporate reports are not ideally transferable to the Local Government environment.

Warringah Council is mindful of its role of acting in the public interest and it is in this context that the plain English guide is provided to assist readers in understanding and analysing the financial report.

## What is Contained in the General Purpose Financial Report?

Council's Financial Report has two sections, namely:

- (1) The Principal Financial Statements
- (2) The Notes to and Forming Part of the Principal Financial Statements.

There are four (4) Principal Financial Statements and twenty (20) Notes. These are prepared by Council staff, examined by the Council's Audit Committee and by Council and then audited by an independent Auditor. The four Principal Financial Statements appear immediately after the statement by Council on Pages 2-5 of the General Purpose Financial Report and comprise the following:

- › Income Statement
- › Balance Sheet
- › Statement of Changes in Equity
- › Cash Flow Statement

The Notes detail Council's accounting policies and the make up of values contained in the Principal Financial Statements.

## Statement by Councillors and Management

The Statement is made by the Council, the General Manager and the Responsible Accounting Officer to indicate that, in their opinion, the General Purpose Financial Report has met all the statutory and professional reporting requirements and has been prepared in accordance with Council's records.

## Income Statement

The Income Statement shows:

- › The sources of Council's Revenue under various income headings
- › The expenses incurred in running the Council during the year

These expenses relate only to the operations and do not include the cost associated with the purchase or the building of assets. While asset purchase costs are not included in expenses

there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

Code Update No. 15 requires emphasis of the net operating result before capital grants and contributions and indicates that revenues from operations exceeded expenses.

## Balance Sheet

This statement is a snap shot of the financial position of the Council as at 30 June 2007. It shows what the Council owns as assets and what it owes as liabilities. The bottom line of this statement is net assets and is equivalent to the net worth of the Council that has built up since incorporation in 1906.

The assets and liabilities are separated into current and non-current. 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.

## Statement of Changes in Equity

During the course of the year the value of total equity as set out in the Balance Sheet changes. This Statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity are as follows:

- › Surplus from operations as disclosed in the Income Statement
- › Changes in minority interest of the subsidiary.

## Cash Flow Statement

Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values differ from those shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- › Operating activities
- › Investing activities – this term relates to only assets such as new capital plant and other long-term revenue producing assets.
- › Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement is the cash at the end of the financial year.

## Notes to the Accounts

The Notes are a very important and informative section of the Report. Rather than expecting the reader to have a working knowledge of the numerous and forever-changing Australian Accounting Standards, the Notes are provided to enable the reader to understand the basis on which the values shown in the Statements are established. These are described in Note 1.

Apart from the Accounting Policies, the Notes also give details behind many of the summary figures contained in the Statements. The Note numbers are shown beside the relevant items in the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement.

Where Council wishes to disclose other information which cannot be incorporated into the Statements then this is shown in Note 18.

The Notes should be read at the same time as, and together with, other parts of the Financial Statements to get a clear picture of the Accounts.

## Auditor's Report on the Financial Statements and on the Conduct of the Audit

The independent Audit Report is the external and independent opinion on the Financial Statements. It provides the reader with a totally independent opinion and covers both the statutory and professional requirements and also the fairness aspects of the Financial Statements.

## Local Government Financial Health Check

Attached to this plain English guide is Council's Sustainable Finances Health Check prepared in accordance with the industry's accepted guidelines.

# FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

## REVENUE SOURCES

Information Note - Revenue Sources

Information Note Title: Sources of Total Ordinary Revenue Before Capital

Indicator Definition: Revenue from Ordinary Activities is classified by source

	Last Year - 2 June 2004	% age of Total Revenue	Last Year - 1 June 2005	% age of Total Revenue	Last Year June 2006	% age of Total Revenue	Current Year June 2007	% age of Total Revenue
Rates & Charges								
General Purpose	47,147	48.73%	49,061	49.91%	51,176	49.90%	56,458	51.37%
Specific Purpose (DWM)	11,911	12.31%	10,407	10.59%	9,786	9.54%	9,181	8.35%
User Charges & Fees	21,032	21.74%	21,195	21.56%	21,352	20.82%	24,003	21.84%
Interest	4,395	4.54%	5,385	5.48%	5,540	5.40%	6,443	5.86%
Grants (Operating)								
General Purpose	3,766	3.89%	3,851	3.92%	4,025	3.92%	4,155	3.78%
Specific Purpose	4,276	4.42%	3,600	3.66%	4,149	4.05%	3,353	3.05%
Contributions	940	0.97%	1,345	1.37%	2,273	2.22%	2,010	1.83%
Profit on Sales of Assets	182	0.19%	306	0.31%	0	0.00%	80	0.07%
Other	3,110	3.21%	3,150	3.20%	4,250	4.14%	4,221	3.84%

### Total Revenues from Continuing Operations less Capital Grants & Contributions

	2004	%	2005	%	2006	%	2007	%
	\$96,759	100.00%	\$98,300	100.00%	\$102,551	100.00%	\$109,904	100.00%

Commentary: Trend analysis for 2007 very similar to 2006. General Purpose rates increase is due mainly to the Infrastructure Levy 6.5% and 3% rate increase. Domestic Waste Management revenue decreased by 1.14% due to lower charges. DWM charges will increase in 2008.

## CASH/LIQUIDITY POSITION

### Indicator # 1

#### Cash /Liquidity Position- after accounting for external reserves

1.1 Indicator Definition: Current Assets less Externally Restricted Current Assets /Current Liabilities less Specific

Purpose Current Liabilities

Indicator / Local Government Benchmark:

Greater than 2:1

Between 1:1 and 2:1

Less than 1:1

Successive years > 10:1

1.2 Indicator Definition: Available cash position

[a] Available cash Assets /Total Ordinary Revenue before Capital

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

Indicator /Local Government Benchmark: For Information Only

1.3 Indicator Definition: Availability of Cash Assets as a % of Total Revenue

[a] Available Cash Assets

b] Unrestricted Available Cash Assets /

Indicator /Local Government Benchmark: For Information Only

### 1.1 Unrestricted Current Ratio

Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010
3.52	4.11	4.13	4.15	4.15

Commentary: Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due. During 2008 it is expected that this ratio will increase slightly.

### 1.2 Available Cash Position

Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010
[a] \$55,197	\$56,281	\$56,570	\$74,822	\$56,925
[b] \$15,619	\$16,703	\$20,675	\$40,730	\$12,901

Commentary: This indicator is used to interpret indicator 1.1 in \$ amount. More than adequate funds available, providing the capacity to respond to opportunities or react to unforeseen commitments that may arise. Based on forecasted cashflows, it is expected that Cash Assets will decrease in 2008 due to increased Capital Works Program inaccordance with adopted Long Term Financial Strategy.

### 1.3 Availability of Cash Assets as a % of total Revenue

Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010
[a] 53.82%	51.21%	53.37%	69.28%	53.70%
[b] 15.23%	15.20%	18.52%	35.55%	11.26%

Commentary: This indicator is used to interpret indicator 1.2(b) in % amount. This demonstrates that Council funds are available either for unplanned works or commitments or the existence of emergency provisions.

# FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

## OPERATING RESULT

### Indicator # 2 - Operating Result - using trend analysis

#### Result from Continuing Operations before Capital Grants & Contributions

Indicator Definition: Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result or 'Profit' after depreciation

Indicator / Local Government Benchmark:

Three (3) successive surplus'	
Surplus	
Deficit	

Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007
4,419	7,490	5,024	9,261

Commentary: Council continues to generate sufficient revenue to cover its operating expenditure, including depreciation based on out of date valuations.

As this analysis assumes that the current depreciation provisions are adequate to provide for the replacement of existing assets, it should be considered with caution.

## ASSET RENEWAL EXPENDITURE

### Indicator # 3 - Asset Renewal Expenditure

Indicator Title: Asset Renewal

Indicator Definition: Capital Renewal Capacity - amount of funds spent on renewing assets (as opposed to maintaining them) = Capital Expenditure on Existing Assets/ Annual Depreciation

Indicator / Local Government Benchmark:

1 to 1	
Less than 1:1	

Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007	Year Ended June 2007
0.30	1.21	0.84	0.86	1.00

Commentary: This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has been adopted through the Long Term Financial Strategy for 2006/07 and beyond.

## DEBT SERVICE RATIO

### Indicator # 4 - Debt Service Ratio

#### Debt Service Ratio

Indicator Definition: Net Debt Service Cost/Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

< 10%	
10%-15%	
> 15%	

Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010
2.22%	3.41%	2.08%	2.00%	3.46%

Commentary: This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments). Council's ability to service its debt is excellent. In 2007 Council's net Debt Service Cost has increased due to planned repayment of an interest only loan of \$1.346M.

This indicator will rise again from 2010 with the proposed borrowings for the netball courts.

## COLLECTION PERFORMANCE

### Indicator # 5 - Collection Performance

#### 5.1 Outstanding Rates, Charges & Fees

#### 5.2 Rates, Annual, Interest and Extra charges outstanding

Indicator Definition: 5.1 Total Outstanding Rates Charges and Fees / Invoices raised plus Arrears B/Fwd. 5.2 Rates, Annual, Interest and Extra Charges Outstanding/Rates Annual, Interest and Extra Charges Collectible

Indicator / Local Government Benchmark:

< 4%	
4%-5%	
> 5%	

Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010
5.1 4.13%	4.00%	3.95%	3.90%	3.85%

5.2 4.08%	2.92%	3.80%	3.50%	3.45%
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Commentary: 5.1 Outstanding rates, charges & fees indicator measures the effectiveness of Council in recovering all debts legally owed to it.

5.2 Rates, annual, interest and extra charges outstanding assesses only the impact of Rates, annual, interest and extra charges on liquidity adequacy of recovery efforts.

Council has been very active in the recovery of debtors. The 2.92% for outstanding Rates, Annual, Interest and Extra charges & fees compares with 5.08% in 2004/05 & 4.08% in 2005/06. The introduction of statements for over due rates has proved effective.

## RE-VOTES OF EXPENDITURE

### Indicator # 6 - Re - Votes of Expenditure

Re-Votes of Expenditure

Indicator Definition: Revotes / Ordinary and Capital Expenditure

Indicator / Local Government Benchmark:

< 2%	
2%-5%	
> 5%	

Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007
3.55%	1.06%	3.38%	2.57%

Commentary: The existence of re-votes at year end indicates that funded projects/ outcomes were not delivered in accordance with the management plan.

Improvement is required in the planning and completion of agreed works but we are heading in the right direction.

# FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

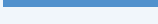
## ACCURACY / TIMELINES OF FINANCIAL DATA / BUDGET / COMPLIANCE

### Indicator # 7 - Management Practices

#### Accuracy /Timeliness of Financial Data /Budget /Compliance

Indicator Definition: As Indicated Below

Indicator / Local Government Benchmark:

8 to 10 Achieved   
5 to 7 Achieved   
< or = 4 Achieved 

	Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007
1. Financial Bottom Line (before capital matched to forecasts to a level of + or - 10%	No	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end	Yes	Yes	Yes	Yes
5. Do you report quarterly - within 21 days of quarter end	No	No	No	No
6. Do you report annually - within 21 days of year end	No	No	No	No
7. Budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	No	No	No	Yes
8. Rigour of budget review and then ongoing monthly/ quarterly budget to actual results analysis	Yes	Yes	Yes	Yes
9. Does RAO (Responsible Accounting Officer) formally report to Council on the sign off of Financial Statements - Section 413 (2) (c)	Yes	Yes	Yes	Yes
10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice.	Yes	Yes	Yes	Yes
	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>

Commentary: Monthly reporting to management will be extended to monthly budget reporting to management in 2006/07. In July 2007 a new Financial system is being planned and implemented, to assist us in striving for the 'Green Light' status.

# ANNUAL FINANCIAL REPORTS

for the year ended 30 June 2007

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## ANNUAL FINANCIAL STATEMENTS for the year ending 30 June 2007

### STATEMENT BY COUNCILLORS AND MANAGEMENT

#### MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

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

To the best of our knowledge and belief, these reports

- › Present fairly the Council's financial position and operating result for the year, and
- › Accord 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 9 October 2007



ADMINISTRATOR



Rik Hart  
GENERAL MANAGER



Gary Mottau  
RESPONSIBLE ACCOUNTING OFFICER

# ANNUAL FINANCIAL STATEMENTS

<b>INCOME STATEMENT BUDGET 2007</b>		<b>Actual 2007</b>	<b>Actual 2006</b>
<b>\$'000</b>	<b>INCOME Revenue: N=Notes</b>	<b>\$'000</b>	<b>\$'000</b>
65,642	Rates & Annual Charges N3	<b>65,639</b>	60,962
22,727	User Charges & Fees N3	<b>24,003</b>	21,352
4,573	Investment Revenues N3	<b>6,443</b>	5,540
7,465	Other Revenues N3	<b>4,221</b>	4,250
7,128	Grants & Contributions – Operating N3	<b>9,518</b>	10,447
4,049	Grants & Contributions – Capital N3	<b>2,436</b>	2,910
	Other Income:		
	Profit from Disposal of Assets N5	<b>80</b>	-
<b>111,584</b>	<b>Revenues from Ordinary Activities before Capital Amounts</b>	<b>112,340</b>	105,461
<b>EXPENSES</b>			
42,717	Employee Costs N4	<b>40,326</b>	38,676
26,947	Materials & Contracts	<b>36,984</b>	35,160
614	Borrowing Costs N4	<b>955</b>	942
11,475	Depreciation & Amortisation N4	<b>11,893</b>	11,785
20,966	Other Expenses N4	<b>10,074</b>	8,297
-	Loss from Disposal of Assets N5	<b>-</b>	2,347
-	Loss from interests in Joint Ventures & Associates N19	<b>411</b>	320
<b>102,719</b>	<b>Total Expenses from Ordinary Activities</b>	<b>100,643</b>	97,527
<b>8,865</b>	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>11,697</b>	7,934
<b>8,865</b>	<b>NET OPERATING RESULT FOR YEAR</b>	<b>11,697</b>	7,934
(1,450)	Share attributable to Minority Interests N19	<b>(1,042)</b>	(1,105)
<b>7,415</b>	<b>NET SURPLUS ATTRIBUTABLE TO COUNCIL</b>	<b>10,655</b>	6,829
<b>4,816</b>	<b>Net operating result before capital grants and contributions</b>	<b>9,261</b>	5,024

This Statement is to be read in conjunction with the attached Notes.

<b>BALANCE SHEET</b>		<b>Actual 2007</b>	<b>Actual 2006</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT ASSETS</b>			
Cash & cash equivalents N6		<b>77,138</b>	79,704
Receivables N7		<b>5,814</b>	4,395
Inventories N8		<b>136</b>	155
Other N8		<b>479</b>	529
<b>TOTAL CURRENT ASSETS</b>		<b>83,567</b>	84,783
<b>NON-CURRENT ASSETS</b>			
Investments N6		<b>14,138</b>	12,154
Receivables N7		<b>415</b>	414
Investments accounted for using the equity method N19		<b>3,246,217</b>	3,239,624
Infrastructure, Property, Plant & Equipment N9		<b>772</b>	774
Investment Property N14		<b>2,175</b>	1,910
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,263,717</b>	3,254,876
<b>TOTAL ASSETS</b>		<b>3,347,284</b>	3,339,659
<b>CURRENT LIABILITIES</b>			
Payables N10		<b>12,833</b>	13,894
Borrowings N10		<b>1,483</b>	2,814
Provisions 10		<b>8,865</b>	9,575
<b>TOTAL CURRENT LIABILITIES</b>		<b>23,181</b>	26,283
<b>NON-CURRENT LIABILITIES</b>			
Borrowings N10		<b>6,764</b>	7,643
Provisions N10		<b>7,382</b>	6,995
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>14,146</b>	<b>14,638</b>
<b>TOTAL LIABILITIES</b>		<b>37,327</b>	40,921
<b>NET ASSETS \$</b>		<b>3,309,957</b>	3,298,738
<b>EQUITY</b>			
Accumulated Surplus N20		<b>3,306,039</b>	3,295,384
Council Equity Interest		<b>3,306,039</b>	3,295,384
Minority Equity Interest N19		<b>3,918</b>	3,354
<b>TOTAL EQUITY \$</b>		<b>3,309,957</b>	3,298,738

# ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY

	Accum Surplus	Asset Reval. Reserves	Other Reserves	Council Equity	Minority Interest	2007 \$'000 Total
Balance at beginning of the reporting period	3,295,384	-	-	3,295,384	3,354	3,298,738
Adjustment on adoption of AASB 132 & AASB 139 N21	-	-	-	-	-	-
Distributions to Outside Equity Interests N19	-	-	-	-	(478)	(478)
Net movements recognised directly in equity	-	-	-	-	(478)	(478)
Change in Net Assets recognised in the Income Statement	10,655	-	-	10,655	1,042	11,697
<b>Balance at end of the reporting period</b>	<b>3,306,039</b>	<b>-</b>	<b>-</b>	<b>3,306,039</b>	<b>3,918</b>	<b>3,309,957</b>

	Accum Surplus	Asset Reval. Reserves	Other Reserves	Council Equity	Minority Interest	2006 \$'000 Total
Balance at beginning of the reporting period	3,288,394	-	-	3,288,394	5,336	3,293,730
Adjustment on adoption of AASB 132 & AASB 139 N21	161	-	-	161	-	161
Distributions to Outside Equity Interests N19	-	-	-	-	(3,087)	(3,087)
Net movements recognised directly in equity	161	-	-	161	(3,087)	(2,926)
Change in Net Assets recognised in the Income Statement	6,829	-	-	6,829	1,105	7,934
<b>Balance at end of the reporting period</b>	<b>3,295,384</b>	<b>-</b>	<b>-</b>	<b>3,295,384</b>	<b>3,354</b>	<b>3,298,738</b>

## CASH FLOW STATEMENT

Budget 2007 \$'000		Actual 2007 \$'000	Actual 2006 \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES N=Notes</b>		
	Receipts		
65,643	Rates & Annual Charges	66,178	60,794
22,727	User Charges & Fees	23,958	23,808
4,572	Investments Income	6,503	5,562
11,177	Grants & Contributions	12,258	14,012
7,465	Other operating receipts	8,833	7,810
	Payments		
(42,717)	Employee Costs	(40,912)	(37,755)
(26,947)	Materials & Contracts	(41,664)	(40,209)
(614)	Borrowing Costs	(1,072)	(864)
(20,966)	Other operating payments	(13,183)	(11,666)
<b>20,340</b>	<b>Net Cash provided by (or used in) Operating Activities N11</b>	<b>20,899</b>	<b>21,492</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Receipts		
	Proceeds from sale of Infrastructure, Property, Plant & Equipment	1,581	2,221
	Payments		
(16,816)	Purchase of Infrastructure, Property, Plant & Equipment	(19,987)	(19,349)
	Purchase of Investment Securities	(2,000)	
	Distributions from joint ventures to minority interests N19	(440)	(3,797)
	Capital contributed to associated entities N19	(409)	(409)
<b>(16,816)</b>	<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(21,255)</b>	<b>(21,334)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Receipts		
	Proceeds from Borrowings & Advances	679	513
	Payments		
(2,247)	Repayments of Borrowings & Advances	(2,177)	(794)
	Repayment of Finance Lease Liabilities	(712)	(665)
<b>(2,247)</b>	<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(2,210)</b>	<b>(946)</b>
<b>1,277</b>	<b>Net Increase (Decrease) in cash held</b>	<b>(2,566)</b>	<b>(788)</b>
79,704	Cash Assets at beginning of reporting period N11	79,704	80,492
<b>80,981</b>	<b>Cash Assets at end of reporting period N11</b>	<b>77,138</b>	<b>79,704</b>

This Statement is to be read in conjunction with the attached Notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 1

### Note 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Preparation

##### 1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations thereunder and the Local Government Code of Accounting Practice and Financial Reporting.

##### 1.2 Compliance with International Financial Reporting Standards

AIFRS include certain specific provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 Financial Reporting by Local Governments also applies. Except to the extent that these special provisions require, these financial statements comply with International Financial Reporting Standards.

##### 1.3 Historical Cost Convention

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

##### 1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or cases where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this

Note. Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

#### 2. The Local Government Reporting Entity

Warringah Council is incorporated under the NSW Local Government Act 1993 (as amended) and has its principal place of business at Civic Centre, 725 Pittwater Road, Dee Why. These financial statements include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

The following Special Rate funds and Committees established pursuant to the Act are included:

- › Allambie Heights Community Centre
- › Beacon Hill War Memorial Hall
- › Collaroy Plateau Progress Hall
- › Cromer Community Centre
- › Curl Curl Sports Centre Management Committee
- › Curl Curl Youth & Community Centre
- › Forest Community Arts Centre
- › Forestville Memorial Hall
- › Forestville Youth Centre
- › Forestville RSL Playing Field Committee
- › Frenchs Forest Showground Management Committee
- › Glen Street Theatre
- › Harbord Literary Institute
- › Lionel Watts Park
- › North Balgowlah Community Centre
- › Terrey Hills Community Centre
- › Tramshed Community Centre
- › Wyatt Avenue Tennis Centre

Other joint ventures and associated entities in which Council is involved are included to the extent set out in paragraph 14 below and in Note 19.

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

#### 3. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the Council obtains control over the assets comprising the revenue, or when the amount becomes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes as restricted assets. Also disclosed is the amount of grants, contributions and receivables recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

#### 4. Cash Assets and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder. Other receivables are generally unsecured and do not bear interest. Loans made to sporting and community groups at concessional

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 1

interest rates are recognised at their nominal amounts; interest revenues foregone by the Council effectively being a reduction of interest revenue in the period to which it relates.

All receivables are reviewed as at the reporting date and adequate provision made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. Financial instruments classified as loans and receivables and held-to-maturity are subsequently measured at amortised cost using the effective interest method. Other financial instruments classified as fair value through profit and loss and available-for-sale, are subsequently measured at fair value where an active market exists, or at cost. Details of classifications of financial instruments are given in Note 15.

### 5.1 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

### 5.2 Other Real Estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are carried at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with Chapter 17 of the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

## 6. Infrastructure, Property, Plant & Equipment

### 6.1 Transitional Provisions

Council has elected not to recognise land

under roads in accordance with the deferral arrangements under AASB 1045.

### 6.2 Recognition

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

### 6.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year under review are provided in Note 9 to these accounts.

### 6.4 Valuation

Detail of valuations, methods and valuers are provided at Note 9. Plant, equipment and similar assets are carried at historical cost less accumulated depreciation.

### 6.5 Depreciation of Non-Current Assets

Other than land, all assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are provided in Note 9 to these accounts. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

### 6.6 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation 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 (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

### 6.7 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 1023 Borrowing Costs. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 4, and the amount (if any) of interest revenue offset against borrowing costs in Note 3.

## 7. Payables

### 7.1 Goods and Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

### 7.2 Payments Received in Advance and Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 1

### 8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

### 9. Employee Benefits

#### 9.1 Salaries, Wages and Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119 Employee Benefits.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

#### 9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

#### Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2006/07; 9% in 2005/06). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of

the net assets of the Fund.

#### Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (0.95 times member contributions in 2005/2006). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

### 10. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state highways) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

### 11. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities.

Entities over which Council exercises "control" (as defined in the Standards) have been consolidated in accordance with Australian Accounting Standard AAS 24 (AASB 1024) "Consolidated Financial Reports", Kimbriki Recycling and Waste Disposal Centre, and are disclosed in detail in Note 19 (a).

An annual provision is made for the ultimate cost to embellish the site operated by Kimbriki Recycling and Waste Disposal Centre, on closure. In excess of \$8.078 million of real estate has been restricted for this purpose.

Entities over which no Council exercises "control" have been accounted for in accordance with Australian Accounting Standard AAS 19 (AASB 1006) "Accounting for Interests in Joint Ventures", Warringah and Pittwater Rural Bushfire Service, and are disclosed in detail in Note 19 (b).

### 12. Leases

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments.

The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

### 13. GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- › Receivables and Creditors include GST receivable and payable.
- › Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- › Non-current assets and capital expenditures include GST net of any recoupment.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## **Note 1**

- › Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

### **14. Budget Information**

The Statement of Financial Performance, Statement of Cash Flows and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year.

Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

### **15. Rounding**

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements are in Australian currency and have been rounded to the nearest thousand dollars.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 2

### NOTE 2- FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES

	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME	TOTAL ASSETS HELD current & non-current		
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL		2007	2006	
	2007 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2007 \$'000	2006 \$'000		2007 \$'000	2006 \$'000	
Living Spaces	7,086	<b>10,346</b>	11,118	23,529	<b>23,923</b>	25,232	(16,443)	<b>(13,577)</b>	(14,114)	<b>1,088</b>	1,677	<b>243,799</b>	235,030
Living Environment	16,594	<b>21,646</b>	20,521	22,812	<b>27,848</b>	23,562	(5,858)	<b>(6,202)</b>	(3,041)	<b>658</b>	604	<b>169,648</b>	171,670
Living Communities	9,654	<b>10,678</b>	10,492	21,204	<b>20,248</b>	20,659	(11,550)	<b>(9,570)</b>	(10,167)	<b>1,973</b>	2,316	<b>1,866,470</b>	1,866,736
Living Organisation	16,962	<b>4,187</b>	4,189	35,154	<b>28,185</b>	27,696	(18,192)	<b>(23,998)</b>	(23,507)	<b>5</b>	6	<b>1,067,367</b>	1,066,223
Living Enterprises	-	-	-	20	<b>28</b>	58	(20)	<b>(28)</b>	(58)	-	-	-	-
Consolidated Other Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals - Functions</b>	50,656	<b>46,857</b>	46,320	102,719	<b>100,232</b>	97,207	(52,603)	<b>(53,375)</b>	(50,887)	<b>3,724</b>	4,603	<b>3,347,284</b>	3,339,659
General Purpose													
Revenues	60,928	<b>65,483</b>	59,141	-	-	-	60,928	<b>65,483</b>	59,141	<b>4,155</b>	4,025	-	-
Interest In Joint Venture	-	-	-	-	<b>411</b>	320	-	<b>(411)</b>	(320)	-	-	-	-
Share Attributable To Minority Interests	-	-	-	-	-	-	(1,450)	<b>(1,042)</b>	(1,105)	-	-	-	-
<b>TOTALS</b>	111,584	<b>112,340</b>	105,461	102,719	<b>100,643</b>	97,527	7,415	<b>10,655</b>	6,829	<b>7,879</b>	8,628	<b>3,347,284</b>	3,339,659

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 3

### NOTE 3 - REVENUES

<b>RATES &amp; ANNUAL CHARGES</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Ordinary Rates		
Residential	45,021	40,789
Business	11,437	10,387
	<b>56,458</b>	51,176
Annual Charges		
Domestic Waste Management	9,181	9,786
<b>Total Rates &amp; Annual Charges</b>	<b>65,639</b>	60,962

### USER CHARGES & FEES

User Charges		
Other Waste Management	914	517
Fees		
Planning & Building	2,571	2,493
Parking Areas	483	274
Libraries	128	125
Community Centres	1,152	1,132
Childcare	2,848	2,495
Glen Street Theatre	1,916	1,640
Swimming Centre	2,019	1,998
Sect 611 Charges	62	60
Rent & Hire of Council Property	1,791	1,870
Sect 603 Charges	188	166
Dog Registration/Road Inspection Fees	518	413
Kimbriki Waste & Recycling Centre	8,810	7,409
Other	603	760
	<b>23,089</b>	20,835
<b>Total User Charges &amp; Fees</b>	<b>24,003</b>	21,352

### INVESTMENT REVENUES

Interest on overdue rates & charges	149	179
Interest on investments attributable to: -		
Sect 94 Contributions	1,589	1,630
Other Investments	1,853	1,450
Other Managed Funds	2,852	2,287
Premiums recognised on financial instruments		(6)
<b>Total Investment Revenues</b>		5,540

### OTHER REVENUES

Net increase in fair value of investment property	265	40
Rental Income - Investment Property	151	95
Ex gratia payments in lieu of Rates	16	24
Fines	1,921	2,030
Insurance Claims	5	22
Sullage Income/Sponsorships	250	269
Legal Fees Recovery	195	312
Recycling Income (Non domestic)	666	723
Sales - General	306	347
Waste performance improvement	112	-
Other	334	388
<b>Total Other Revenues</b>	<b>4,221</b>	4,250

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 3

	OPERATING		CAPITAL	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>GRANTS</b>				
General Purpose (Untied)				
Financial Assistance	3,354	3,244	-	-
Pensioner Rates Subsidies (General)	801	781	-	-
Specific Purpose				
Domestic Waste Management	143	174	-	-
Community Centres	292	346	-	34
Roads & Bridges	783	1,217	258	-
Coast & Estuaries	527	438	47	391
Heritage & Cultural Services	343	341	66	-
Community Care Services	1,265	1,633	-	29
<b>Total Grants &amp; Subsidies</b>	<b>7,508</b>	<b>8,174</b>	<b>371</b>	<b>454</b>
<b>Comprising:</b>				
Commonwealth funding	3,256	4,841	258	-
State funding	4,252	3,333	113	454
	<b>7,508</b>	<b>8,174</b>	<b>371</b>	<b>454</b>
<b>CONTRIBUTIONS &amp; DONATIONS</b>				
Developer Contributions				
Traffic Facilities N17	-	-	164	227
Parking N17	-	-	1,193	617
Open Space N17	-	-	264	1,178
Community Facilities N17	-	-	-	319
S 94 A Levies	-	-	322	-
Other N17	-	-	122	115
RTA Contributions	1,250	1,018	-	-
Other Councils - SHOROC	-	146	-	-
Coast & Estuaries	263	25	-	-
Community Centres	419	1,041	-	-
LEMC Contributions	9	6	-	-
Other	69	37	-	-
<b>Total Contributions &amp; Donations</b>	<b>2,010</b>	<b>2,273</b>	<b>2,065</b>	<b>2,456</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>9,518</b>	<b>10,447</b>	<b>2,436</b>	<b>2,910</b>

### CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2007 \$'000		2006 \$'000	
	Grants	Contrib	Grants	Contrib
Unexpended at the close of the previous reporting period	2,114	24,599	939	31,031
Less: expended during the current period from				
Section 94/64 Developer Contributions		3,125		10,518
Community Centres	47		30	
Roads & Bridges	540		175	
Coast & Estuaries	292			
Heritage & Cultural Services	31		24	
Community Care Services	392		158	
Infrastructure	532			
<b>Subtotal</b>	<b>1,834</b>	<b>3,125</b>	<b>387</b>	<b>10,518</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 3

	2007 \$'000		2006 \$'000	
	Grants	Contrib	Grants	Contrib
Plus: amounts recognised as revenues in this reporting period.				
Section 94/64 Developer Contributions and Interest earned		3,654		4,086
Community Centres	27		65	
Roads & Bridges			540	
Coast & Estuaries	518		182	
Heritage & Cultural Services	88		84	
Community Care Services	427		179	
Infrastructure	47		356	
Other			156	
<b>Subtotal</b>	<b>1,107</b>	<b>3,654</b>	1,562	4,086
Unexpended at the close of this reporting period and held as restricted assets	1,387	25,128	2,114	24,599
Net increase (decrease) in restricted assets in the current reporting period	-727	529	1,175	-6,432

### OPERATING LEASES providing revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property above.

### Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also included above. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

### Lessees commitments under all non-cancellable lease agreements, including those relating to Investment property, are as follows:

	2007 \$'000	2006 \$'000
Not later than one year	165	94
Later than one year and not later than 5 years	222	263
	<b>387</b>	357

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 4

<b>NOTE 4 - EXPENSES</b>	<b>2007</b>	<b>2006</b>
<b>EMPLOYEE COSTS</b>	<b>\$'000</b>	<b>\$'000</b>
Salaries and Wages	32,867	31,105
Travelling	78	74
Employee Leave Entitlements	3,568	4,222
Superannuation - defined contribution plan contributions	3,018	2,767
Workers' Compensation Insurance	(72)	(127)
Fringe Benefits Tax	108	176
Training Costs (excluding Salaries)	553	459
Recruitment Costs	500	365
Other	180	165
Less: Capitalised and distributed costs	(474)	(530)
<b>Total Operating Employee Costs</b>	<b>40,326</b>	<b>38,676</b>
<b>Total Number of Employees</b>	<b>559</b>	<b>559</b>
(Full time equivalent at end of reporting period)		
<b>BORROWING COSTS</b>		
Interest on Loans	610	623
Charges on Finance Leases	67	55
Unwinding of present value discounts & premiums	278	264
<b>Total Interest Charges</b>	<b>955</b>	<b>942</b>
<b>MATERIALS &amp; CONTRACTS</b>		
Contractor and consultancy costs	35,774	33,915
Auditor's Remuneration		
- Audit Services	44	42
- Other Services	13	16
Legal Expenses		
- Planning & Development	492	709
- Other Legal Expenses	511	324
Operating Lease Rentals - non-cancellable		
- minimum lease payments	150	154
<b>Total Materials &amp; Contracts</b>	<b>36,984</b>	<b>35,160</b>
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>		
Plant and Equipment	1,581	1,586
Office Equipment	387	379
Furniture & Fittings	301	308
Leased Property, Plant & Equipment	819	777
Land Improvements	4	4
Buildings	1,238	1,240
Other Structures	308	266
- Roads, bridges & footpaths	3,350	3,317
- Stormwater drainage	3,283	3,277
Library books	465	463
Other	-	5
Future Reinstatement Costs		
- Tips	157	163
<b>Total Depreciation, Amortisation &amp; Impairment</b>	<b>11,893</b>	<b>11,785</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 4 & 5

<b>OTHER EXPENSES</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Revaluation Decrements expensed	16	-
Advertising	610	444
Bad and Doubtful Debts	22	91
Donations & Contributions to Local & Regional Bodies	250	222
Insurances	914	640
Light, Power & Heating	994	821
Administrators Expenses	208	200
SHOROC Contribution	92	120
Payments to other levels of Government	4,407	3,303
Street Lighting	1,515	1,407
Data Services	239	250
Telephone & Communications	792	783
Interest on Bonds & Deposits	15	16
<b>Total Other Expenses</b>	<b>10,074</b>	<b>8,297</b>

### INDIVIDUALLY SIGNIFICANT ITEM

Provide an explanation of the nature of any item disclosed as significant in either year.

### NOTE 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

#### DISPOSAL OF PROPERTY

Proceeds from disposal	-	61
Less: Carrying amount of assets sold	-	2,416
<b>Gain (Loss) on disposal</b>	<b>-</b>	<b>(2,355)</b>

#### DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT

Proceeds from disposal	1,580	1,491
Less: Carrying amount of assets sold	1,500	1,483
<b>Gain (Loss) on disposal</b>	<b>80</b>	<b>8</b>
<b>Total Gain (Loss) on Disposable Assets</b>	<b>80</b>	<b>(2,347)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 6

### Note 6 Cash Assets and Investment Securities

	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	8,273	-	1,140	-
Deposits at Call	4,324	-	5,028	-
Managed Funds	64,541	-	73,536	-
<b>Total Cash Assets</b>	<b>77,138</b>	<b>-</b>	<b>79,704</b>	<b>-</b>

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

### INVESTMENT SECURITIES

#### Summary

Financial assets at fair value through profit and loss	-	14,138	-	12,154
<b>Total</b>	<b>-</b>	<b>14,138</b>	<b>-</b>	<b>12,154</b>

#### Financial assets at fair value through profit and loss

At beginning of year	-	12,154	-	12,000
Adjustment on adoption of AASB 132 & AASB 139	-	-	-	161
Additions	-	3,000	-	-
Revaluation to Income Statement	-	(16)	-	(7)
<b>At end of year</b>	<b>-</b>	<b>14,138</b>	<b>-</b>	<b>12,154</b>

Held for trading:

- FRNs	-	14,138	-	12,154
	<b>-</b>	<b>14,138</b>	<b>-</b>	<b>12,154</b>

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 15 July 2005, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 6.2% and 6.6% (2005 - 5.5% and 5.95%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that comply with the Minister's Order and bear various rates of return between 4.89% and 7.21% (2006 - 5.57% and 7.22%).

	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
<b>EXTERNAL RESTRICTIONS</b>				
<b>Included in liabilities</b>				
Domestic Waste Management	-	-	221	-
	<b>-</b>	<b>-</b>	<b>221</b>	<b>-</b>
<b>Other</b>				
Developer Contributions	13,495	11,214	15,030	9,150
RTA Contributions	-	323	-	323
Unexpended Grants	1,387	-	2,114	-
Sportsfield Levy	850	2,601	1,890	2,681
Environmental Stormwater Levy	2,834	-	2,834	-
Infrastructure Levy	260	-	-	-
Domestic Waste Management	1,992	-	2,367	-
Other	39	-	51	-
	<b>20,857</b>	<b>14,138</b>	<b>24,286</b>	<b>12,154</b>
Total External Restrictions	<b>20,857</b>	<b>14,138</b>	<b>24,507</b>	<b>12,154</b>
Total Internal Restrictions	<b>39,578</b>	<b>-</b>	<b>35,873</b>	<b>-</b>
<b>TOTAL UNRESTRICTED</b>	<b>16,703</b>	<b>-</b>	<b>19,324</b>	<b>-</b>
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>	<b>77,138</b>	<b>14,138</b>	<b>79,704</b>	<b>12,154</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 6

### Note 6 (b) Cash Assets and Investment Securities

#### DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Opening	Movements		Closing
	Balance 30 June 2006	Transfers to restriction	Transfers to restriction	Balance 30 June 2007
	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Developer Contributions N17	24,180	3,654	3,125	24,709
RTA Contributions	323	-	-	323
Unexpended Grants	2,114	957	1,684	1,387
Sportsfield Levy	4,571	1,153	2,273	3,451
Environmental Stormwater Management	2,834	4,035	4,035	2,834
Domestic Waste Management	2,367	228	603	1,992
Infrastructure Levy	-	3,609	3,349	260
Subdivision & Duffy's Forest Concur	51	7	19	39
<b>Total External Restrictions</b>	<b>36,440</b>	<b>13,643</b>	<b>15,088</b>	<b>34,995</b>

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 6

### Note 6 (b) Cash Assets and Investment Securities

INTERNAL RESTRICTIONS	Opening Balance	Movements		Closing Balance
	30 June 2006	Transfers to Restrictions	Transfers from Restrictions	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Glen Street Theatre	855	52	-	937
S355 Community Centres (MYOB)	842	-	134	708
S355 Community Centres	355	240	-	595
Narrabeen Lagoon Entrance	923	117	-	1,040
Freshwater Surf Life Saving Club	10	-	10	-
St David's Avenue Park Reserve	120	-	-	120
Community Survey	95	20	-	115
Kimbriki Property Acquisition Reserve	297	-	-	297
Revenue Producing Asset Reserve	1,652	-	-	1,652
Coastal Open Space Improvements	54	28	-	82
Affordable Housing Reserve	105	-	-	105
Elections Reserve	200	100	-	300
Childcare Parent Fundraising	37	6	-	43
Bus Shelter Reserve	22	-	-	22
Community Advisory Committee (CAC)	100	-	-	100
Community Development	1,149	-	120	1,029
Light Vehicle Fleet Reserve	1,071	-	-	1,071
Unexpended Loans	619	-	330	289
Insurance Reserve	1,743	-	243	1,500
Carry Forward Reserve	1,251	374	1,373	252
Heavy Plant Replacement	980	87	60	1,007
Employee Leave Entitlements	2,738	53	-	2,791
Computer Reserve	2,131	800	1,645	1,286
Kimbriki Waste & Recycling (KIM)	841	-	841	-
Kimbriki Unrestricted Cash (WCP)	6,516	999	73	7,442
Property Development	2,237	100	78	2,259
Harbord Village Underground Power	66	250	38	278
Tennis Courts	101	6	38	69
Beach Parking	588	-	175	413
Glen Street Theatre Maintenance	216	125	270	71
Loan Repayment (Sinking Fund)	2,171	500	1,346	1,325
Sports Union Reserve	172	420	-	592
Allambie Heights Community Tennis Club	32	-	-	32
Deposits and Bonds	1,478	3,572	-	5,050
LEMC Local Emergency Management Committee	63	9	-	72
Shoroc Surplus Reserve	74	-	74	-
Community Centre Reserve	37	-	37	-
Future Committed Capital Works RFS	305	-	179	126
Compulsory Open Space Acquisition Reserve	1,618	500	1,453	665
Berry Market Reserve	5	-	-	5
Forestville Youth Centre Reserve	16	-	-	16
Netball Courts Reserve	985	3,015	-	4,000
Kimbriki Landbank Properties Reserve	109	107	-	216
Stormwater Asset Replacement Reserve	300	-	-	300
Manly Dam Reserve	436	551	293	694
Performance Management System Reserve	101	-	-	101
Alternative Water Supply Reserve	27	-	27	-
Long Reef SLSC Renewal Reserve	-	250	-	250
Eramboo Reserve	-	50	-	50
Cultural Events Reserve	-	3	-	3
Recreational Improvements Reserve	-	208	-	208
<b>Total Internal Restrictions</b>	<b>35,873</b>	<b>12,542</b>	<b>8,837</b>	<b>39,578</b>

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 7 & 8

NOTE 7 - RECEIVABLES	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
Rates & Annual Charges	1,470	256	2,012	253
Interest & Extra Charges	114	159	172	161
User Charges & Fees	3,172	-	1,565	-
Interest on Investment	171	-	148	-
Other levels of Government	187	-	69	-
GST Receivable	886	-	665	-
Other	46	-	67	-
<b>Total</b>	<b>6,046</b>	<b>415</b>	<b>4,698</b>	<b>414</b>
Less: Allowance for Doubtful Debts				
Rates & Annual Charges	4	-	4	-
User Charges & Fees	228	-	299	-
<b>Total Receivables</b>	<b>5,814</b>	<b>415</b>	<b>4,395</b>	<b>414</b>

### Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2006: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

### Other levels of Government

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

RESTRICTED RECEIVABLES	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
Environmental Stormwater Levy	117	-	148	-
Sportsfield Rectification Levy	34	-	43	-
Domestic Waste Management Infrastructure	254	56	392	61
	110	-	-	-
<b>Total Restrictions</b>	<b>515</b>	<b>56</b>	<b>583</b>	<b>61</b>
Unrestricted Receivables	5,299	359	3,812	353
<b>Total Receivables</b>	<b>5,814</b>	<b>415</b>	<b>4,395</b>	<b>414</b>

### NOTE 8 INVENTORIES & OTHER ASSETS

NOTE 8 INVENTORIES & OTHER ASSETS	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
Stores & Materials	120	-	111	-
Trading Stock	16	-	44	-
<b>Total Inventories</b>	<b>136</b>	<b>-</b>	<b>155</b>	<b>-</b>

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

### OTHER ASSETS

Prepayments	479	-	529	-
<b>Total Other Assets</b>	<b>479</b>	<b>-</b>	<b>529</b>	<b>-</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 9

### NOTE 9 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2006 \$'000				Carrying Amount Movements During Year \$'000				2007 \$'000			
	At Cost	At Fair Value	Accum Depn.	Carrying Amount	Asset Purchase	Asset Disposals	Depreciation	Transfers	At Cost	At Fair Value	Accum Depn	Carrying Amount
<b>Plant &amp; Equipment</b>	12,036	-	(6,341)	5,695	2,848	(1,490)	(1,581)	-	<b>11,807</b>	-	(6,335)	<b>5,472</b>
<b>Office Equipment</b>	8,631	-	(7,188)	1,443	292	(9)	(387)	(108)	<b>7,210</b>	-	(5,979)	<b>1,231</b>
<b>Furniture &amp; Fittings</b>	3,533	-	(1,877)	1,656	3	(1)	(301)	108	<b>3,437</b>	-	(2,080)	<b>1,357</b>
<b>Leased Plant &amp; Equipment</b>	1,995	-	(1,010)	985	568	-	(819)	-	<b>2,671</b>	-	(1,829)	<b>842</b>
<b>Land</b>												
- Operational Land	944,257	-	-	944,257	2,348	-	-	-	<b>946,605</b>	-	-	<b>946,605</b>
- Council owned (freehold)	1,798,494	-	-	1,798,494	-	-	-	-	<b>1,798,494</b>	-	-	<b>1,798,494</b>
- Council controlled	-	-	-	-	-	-	-	-	-	-	-	-
<b>Land Improvements</b>												
- Depreciable	386	-	(24)	362	-	-	(4)	-	<b>385</b>	-	(27)	<b>358</b>
<b>Buildings</b>	120,765	-	(56,286)	64,479	949	-	(1,238)	-	<b>121,714</b>	-	(57,524)	<b>64,190</b>
<b>Other Structures</b>	21,910	-	(1,738)	20,172	6,092	-	(308)	-	<b>28,002</b>	-	(2,046)	<b>25,956</b>
<b>Infrastructure</b>												
- Roads, bridges, footpaths	323,840	-	(95,530)	228,310	5,780	-	(3,350)	-	<b>329,621</b>	-	(98,881)	<b>230,740</b>
- Stormwater drainage	328,328	-	(160,256)	168,072	620	-	(3,283)	-	<b>328,948</b>	-	(163,539)	<b>165,409</b>
<b>Other Assets</b>												
- Library books	8,752	-	(7,462)	1,290	486	-	(465)	-	<b>4,876</b>	-	(3,565)	<b>1,311</b>
- Other	975	-	(975)	-	-	-	-	-	<b>975</b>	-	(975)	-
<b>Future Reinstatement Costs</b>												
- Tips	4,730	-	(321)	4,409	-	-	(157)	-	<b>4,730</b>	-	(478)	<b>4,252</b>
<b>TOTALS</b>	<b>3,578,632</b>	-	<b>(339,008)</b>	<b>3,239,624</b>	<b>19,986</b>	<b>(1,500)</b>	<b>(11,893)</b>	-	<b>3,589,475</b>	-	<b>(343,258)</b>	<b>3,246,217</b>

#### Asset Acquisitions were Apportioned Between:

New Assets as per DLG	<b>6,454</b>
Renewals as per DLG	<b>13,532</b>
<b>Total</b>	<b>19,986</b>
Infrastructure Renewals	<b>10,648</b>
Operating Renewals	<b>2,884</b>
<b>Total</b>	<b>13,532</b>

### RESTRICTED PROPERTY, PLANT AND EQUIPMENT

	2006 \$'000								
	At Cost	At Valuation	Accum Depn	Carrying Amount	At Cost	At Valuation	2005 \$'000	Accum Depn	Carrying Amount
<b>EXTERNAL</b>									
<b>Domestic Waste Management</b>									
<b>Land</b>									
- 35.5% Kimbriki Tip Land	<b>2,868</b>	-	-	<b>2,868</b>	2,868	-	-	-	2,868
<b>Non Cash S94 Contribution</b>									
- Other *	<b>419</b>	-	-	<b>419</b>	419	-	-	-	419
<b>Total External Restrictions</b>	<b>3,287</b>	-	-	<b>3,287</b>	3,287	-	-	-	3,287
<b>INTERNAL</b>									
- 64.5% Kimbriki Tip Land	<b>5,210</b>	-	-	<b>5,210</b>	5,210	-	-	-	5,210
<b>Total Internal Restrictions</b>	<b>5,210</b>	-	-	<b>5,210</b>	5,210	-	-	-	5,210
<b>TOTAL RESTRICTIONS</b>	<b>8,497</b>	-	-	<b>8,497</b>	8,497	-	-	-	8,497

\* Land has been revalued as at 1/07/04 to comply with all assets revalued in this class.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 9

### NOTE 9 PROPERTY, PLANT AND EQUIPMENT

#### Valuation of Assets

At 1 July 2000 upon the commencement of Australian Accounting Standard AAS 38 (AASB 1041) "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the cost basis for all classes of assets previously carried at re-valued amounts.

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

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

#### Major depreciation periods are:

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles & Road-making Equipment	5 to 8 years
Other Plant & Equipment	5 to 15 years

#### Asset capitalisation thresholds include:

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

#### Land - Council owned and Council controlled

#### Current valuation

Council Officers have valued land at a municipal site value of \$175.70 per square metre and \$1,300.95 per square metre for commercial sites. These figures are an average of the Valuer Generals rates as at 1 July 2004. Total land value is \$2.742 million and includes adjustments for acquisitions and sales during the last two years. These new valuations have been brought to account as Council has taken the opportunity to revalue on IFRS changes over and then adopt the "cost" basis for recording this class of assets.

#### Buildings

Buildings were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of

valuation are recorded at cost.

#### Major depreciation periods are:

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

#### Asset capitalisation thresholds include:

New construction/extensions	\$10,000
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#### Current valuation

An independent valuation of major buildings was based on written down current replacement cost as at 30 June 2007. (The loss of individual buildings would have a material effect on the operations of Council.) The valuation was undertaken by Scott Fullarton Valuations Pty Limited and totalled \$182,131,000. The valuation has been made in accordance with recognised valuation procedures as to fair and reasonable value, useful life and remaining life.

These new valuations have not been brought to account as Council will continue to adopt the "cost" basis for recording this class of assets.

#### Land Improvements, Other Structures and Infrastructure

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

#### Major depreciation periods are:

Park Structures - masonry	50 to 100 years
Park Structures - other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years

#### Asset capitalisation thresholds include:

Park Furniture & Equipment	\$25,000
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Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

#### Major depreciation periods are:

Sealed Roads - Structure	100 years
Bridges - Concrete	100 years
Bulk Earthworks	indefinite

#### Asset capitalisation thresholds include:

Road construction & reconstruction \$25,000

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

#### Major depreciation periods are:

Drains	100 years
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#### Asset capitalisation thresholds include:

Drains & Culverts	\$5,000
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#### All other assets

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

#### Major depreciation periods are:

Library books	5 to 15 years
Artworks	indefinite

#### Restricted Assets

Restrictions exist in relation to the following assets, which must be applied for the purposes for which special rates and other charges enabling their purchase were raised.

	2007	2006
	\$'000	\$'000
Land held for Kimbriki	8,078	8,078
Land held for childcare services	419	419
<b>Total</b>	<b>\$8,497</b>	<b>\$8,497</b>

Note 9A - Of the property assets held, No's 7, 8, 8A and 10 Kimbriki Road, Ingleside have been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of purchase price which equals \$2,868million. These assets were acquired during previous reporting periods. As at June 2007, Council holds equity in four (4) properties at Kimbriki Road, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater Councils.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

## Note 10

### NOTE 10 LIABILITIES

PAYABLES	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
Goods & Services	5,304	-	6,305	-
Payments received in advance	1,487	-	1,275	-
Kimbriki Accrued Expenses	239	-	356	-
FBT Accrual	-	-	65	-
Interest on Bonds	30	-	24	-
Interest on Loans	89	-	93	-
Due to Other Councils - Kimbriki Dist.	478	-	440	-
Glen Street Theatre Accrual	16	-	63	-
Deposits, Retentions & Bonds*	5,050	-	5,098	-
Other	140	-	175	-
<b>Total Payables</b>	<b>12,833</b>	<b>-</b>	<b>13,894</b>	<b>-</b>

Deposits, Retentions & Bonds\*

Under AIFRS all funds must be shown as current. Using historical data our records indicate the following amounts are unlikely to be paid out within the next 12 months and in previous years have been shown as Non Current.

**3,572** **3,620**

### BORROWINGS

Loans	868	6,289	2,181	7,153
Finance Lease Liability	615	475	633	490
<b>Total Borrowings</b>	<b>1,483</b>	<b>6,764</b>	<b>2,814</b>	<b>7,643</b>

All interest bearing liabilities are secured over the future revenues of the Council.

### PROVISIONS

Annual Leave	2,702	-	2,591	-
Sick Leave	510	-	712	-
Long Service Leave	5,216	613	5,853	420
Gratuities	64	-	92	-
Insurance Losses (see also Note 18)	373	1,246	327	1,330
Reinstatement, Remediation, etc.	-	5,523	-	5,245
<b>Total Provisions</b>	<b>8,865</b>	<b>7,382</b>	<b>9,575</b>	<b>6,995</b>

### Provisions for Eligible Leave Entitlements - E.L.E.

Under AIFRS all vested Long Service Leave is shown as Current. Using historical data our records indicate following amounts are unlikely to be paid out within the next 12 months and in previous years have been shown as Non Current.

- **4,476** - **5,470**

### MOVEMENTS IN PROVISIONS

	Insurance Losses		Reinstatement etc		E.L.E.	
	2007 \$'000		2007 \$'000		2007 \$'000	
Opening Balance	1,657		5,245		9,668	
Add Additional amounts recognised	-		-		3,369	
Unwinding of present value discounts	-		278		-	
(Less) Payments					(3,932)	
Add (Less) Remeasurement Adjustments	(38)				-	
Add (Less) Transfer on Council restructure						
<b>Closing Balance</b>	<b>1,619</b>		<b>5,523</b>		<b>9,105</b>	

### Provision for Insurance Losses

At any time Council may be involved in defending a number of separate actions arising from various causes, further details of which are given in Note 18. Council makes provision for the best estimate of the probable costs it will incur in defending such actions, and records a contingent liability for the balance of potential losses.

### Provision for Reinstatement, rehabilitation and restoration liabilities

Council is required by law to reinstate/rehabilitate the areas of Kimbriki when it ceases to use this facility. Engineering estimates have been made based on current reinstatement standards and discounted to its present value over the estimated remaining life of each facility at the rates applicable to government securities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

## Note 10 & 11

### NOTE 10 LIABILITIES

AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS	2007 \$'000		2006 \$'000	
	Current	Non-current	Current	Non-current
	<b>8,492</b>	<b>613</b>	9,248	420
<b>LIABILITIES RELATING TO RESTRICTED ASSETS</b>				
<i>Domestic Waste Management</i>				
Payables	-	-	221	-
<b>Subtotal</b>	-	-	221	-
<i>Internal Restrictions</i>				
Deposits, Retentions & Bonds	<b>5,050</b>	-	1,478	-
Employee Leave Entitlements	<b>2,791</b>	-	2,376	-
Self Insurance Claims-Reserve	<b>373</b>	<b>1,127</b>	327	1,330
<b>Subtotal</b>	<b>8,214</b>	<b>1,127</b>	4,543	1,330
<b>TOTAL</b>	<b>8,214</b>	<b>1,127</b>	<b>4,764</b>	<b>1,330</b>

### NOTE 11 RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Total Cash Assets (Note 6)	<b>77,138</b>	79,704
Less: Bank Overdraft (Note 10)	-	-
<b>Balances per Statement of Cash Flows</b>	<b>77,138</b>	79,704

#### (b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Operating Result from Income Statement	<b>10,655</b>	6,829
Minority Interests in Operating Result	<b>1,042</b>	1,105
Add: Depreciation and Amortisation	<b>11,893</b>	11,785
Fair Value Adjustments	<b>16</b>	7
Increase in provision for doubtful debts	-	77
Increase in employee benefits provisions	-	849
Increase in other provisions	<b>240</b>	-
Decrease in inventories	<b>19</b>	-
Decrease in other assets	<b>50</b>	284
Loss on sale of assets	-	2,347
Equity share of loss in Associates	<b>411</b>	320
	<b>24,326</b>	23,603
Less: Decrease in provision for doubtful debts	<b>71</b>	-
Decrease in employee benefits provisions	<b>563</b>	-
Decrease in other provisions	-	719
Increase in receivables	<b>1,349</b>	76
Increase in inventories	-	28
Decrease in trade creditors	<b>1,099</b>	1,248
Gain on Sale of Assets	<b>80</b>	-
Fair value adjustments as revenue items	<b>265</b>	40
<b>Net Cash provided by (or used in) operations</b>	<b>20,899</b>	21,492

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 11 & 12

### RECONCILIATION TO CASH FLOW STATEMENT

<b>(c) Non-Cash Financing and Investing Activities</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Acquisition of assets by means of:		
- PWD Construction	-	-
- Bushfire Grants	-	-
- Developer Contributions received in kind	-	-
- Non-cash issues of Shares in other companies	-	-
- Estimated future reinstatement, etc costs	-	-
- Other	-	-
- Finance Leases	<b>679</b>	513
	<b>679</b>	<b>513</b>

### (d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	<b>500</b>	500
Corporate Credit Cards	<b>120</b>	85
Bank Guarantee for possible Workers Compensation Claims	<b>2,000</b>	2,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

### NOTE 12 COMMITMENTS FOR EXPENDITURE

#### (a) Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Land	<b>790</b>	2,227
Infrastructure	<b>500</b>	1,770
	<b>1,290</b>	3,997
These expenditures are payable:		
Not later than one year	<b>1,290</b>	3,963
Later than one year and not later than 5 years	-	34
	<b>1,290</b>	3,997

Commitments for Capital Expenditures relating to joint ventures and partnerships are set out in note 19.

#### (b) Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	<b>49</b>	89
Waste Management Services	<b>23,899</b>	32,580
Other	<b>13,483</b>	5,071
	<b>37,431</b>	37,740
These expenditures are payable:		
Not later than one year	<b>15,421</b>	11,452
Later than one year and not later than 5 years	<b>22,010</b>	26,288
	<b>37,431</b>	37,740

Commitments for other Expenditures relating to joint ventures and partnerships are set out in note 19.

#### (c) Finance Lease Commitments

Commitments under finance leases at the reporting date are as follows:

Not later than one year	<b>669</b>	685
Later than one year and not later than 5 years	<b>502</b>	511
<b>Minimum lease payments</b>	<b>1,171</b>	<b>1,196</b>
Less: Future finance charges	<b>(81)</b>	(73)
<b>Net Lease Liability</b>	<b>1,090</b>	<b>1,123</b>
Representing lease liabilities:		
Current	<b>615</b>	633
Non-Current	<b>475</b>	490
	<b>1,090</b>	<b>1,123</b>

No joint ventures or partnerships have any finance lease arrangements

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 12 & 13

### (d) Operating Lease Commitments (Non-Cancellable)

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

	<b>2007</b> <b>\$'000</b>	<b>2006</b> <b>\$'000</b>
<b>Total Future Minimum Lease Payments</b>		
Not later than one year	<b>136</b>	153
Later than one year and not later than 5 years	<b>129</b>	265
	<b>265</b>	418

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment. Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods. No lease imposes any additional restrictions on Council in relation to additional debt or further leasing. Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased. Commitments for Operating Lease Expenditures relating to joint ventures and partnerships are set out in Note 19.

### (e) Remuneration Commitments

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

Not later than one year	<b>3,882</b>	3,448
Later than one year and not later than 5 years	<b>7,952</b>	4,324
	<b>11,834</b>	7,772

## NOTE 13 STATEMENT OF PERFORMANCE MEASUREMENT

	<b>Amounts</b>	<b>2007</b> <b>Indicators</b>	<b>2006</b> <b>Indicators</b>	<b>2005</b> <b>Indicators</b>	<b>2004</b> <b>Indicators</b>
<b>Unrestricted Current Ratio</b>					
Unrestricted Current Assets*	\$62,195	4.11	3.52	3.40	2.75
Current Liabilities not relating to Restricted Assets	\$15,133				
* less Bonds and Deposits as well as ELE shown in current but not expected to be paid in next 12 months.					
<b>Debt Service Ratio</b>					
Net Debt Service Cost	\$3,566	0.034	0.022	0.025	0.026
Operating Revenue	\$104,541				
<b>Rates and Annual Charges Coverage Ratio</b>					
Rates and Annual Charges Revenues	\$65,639	0.58	0.58	0.59	0.58
Total Revenues	\$112,340				
<b>Rates and Annual Charges Outstanding Percentage</b>					
Rates and Annual Charges Outstanding	\$1,995	2.92%	4.08%	3.93%	4.01%
Rates and Annual Charges Collectible	\$68,382				
<b>Rates and Annual Charges, Interest and Extra Charges Outstanding Percentage*</b>					
Rates and Annual Charges Outstanding	\$1,579	2.31%	3.00%	2.76%	2.92%
Rates and Annual Charges Collectible	\$68,232				

\* It is Council's policy not to pursue pensioners. This calculation is used to demonstrate to users the effect of actively pursuing outstanding amounts from pensioners.

### Assets Renewals Ratio

Assets renewals	\$13,532	1.14	New ration introduced 2007 - no comparatives available.		
Depreciation, amortisation and impairment	\$11,893				
Assets renewals (infrastructure only)	\$10,648	1.21	New ration introduced 2007 - no comparatives available.		
Depreciation, amortisation and impairment (infrastructure only)	\$8,805				

We are producing this ratio as it is our understanding that renewal of infrastructure needs to be monitored and not distorted by Plant and Equipment.

Detailed methods of calculation of these indicators is defined in the Code.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 14 & 15

### NOTE 14

#### INVESTMENT PROPERTY

	2007 \$'000	2006 \$'000
<b>At fair value</b>		
Opening balance at 1 July	1,910	1,870
Net gain (loss) from fair value adjustment	265	40
<b>Closing balance at 30 June</b>	<b>2,175</b>	1,910
<b>Amounts recognised in profit and loss</b>		
Rental income	151	95
Outgoings recouped	-4	-3
Net gain (loss) from fair value adjustment	265	40
	<b>412</b>	132
Repairs, maintenance and other operating expenses - property generating rental income	-19	-29
	<b>393</b>	103

#### Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date. The 2007 valuation was made by Scott Fullerton Valuations P/L. Contractual arrangements - see Note 12.

### NOTE 15

2007 FINANCIAL INSTRUMENTS Interest Rate Risk Exposures <u>Financial Assets</u>	Floating interest Rate \$'000	Fixed interest maturing in					>5 years \$'000	Non-interest bearing \$'000	Total \$'000
		<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years	4-5 years			
<b>Fair Value through P&amp;L</b>									
Cash Assets	77,138								77,138
Investment Securities	14,138								14,138
Loans and Receivables		1,580	415					4,234	6,229
<b>Total</b>	<b>91,276</b>	<b>1,580</b>	<b>415</b>				-	<b>4,234</b>	<b>97,505</b>
Weighted Average Interest Rate	6.37%	10.00%	10%						
<b>Financial Liabilities</b>									
Loans and Receivables									
Payables								12,594	12,594
Borrowings	-	1,483	1,889	1,730	1,573	1,572		-	8,247
<b>Total</b>	-	<b>1,483</b>	<b>1,889</b>				-	<b>12,594</b>	<b>20,841</b>
Weighted Average Interest Rate	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%			
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	<b>91,276</b>	<b>97</b>	<b>(1,474)</b>					<b>(8,360)</b>	<b>76,664</b>

### NOTE 15

2006 FINANCIAL INSTRUMENTS Interest Rate Risk Exposures <u>Financial Assets</u>	Floating interest Rate \$'000	Fixed interest maturing in					>5 years \$'000	Non-interest bearing \$'000	Total \$'000
		<1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years	4-5 years			
<b>Fair Value through P&amp;L</b>									
Cash Assets	79,704								79,704
Investment Securities	12,154	-							12,154
Loans and Receivables		2,180	414					2,215	4,809
<b>Total</b>	<b>91,858</b>	<b>2,180</b>	<b>414</b>				-	<b>2,215</b>	<b>96,667</b>
Weighted Average Interest Rate	6.03%	9.00%	9.00%						
<b>Financial Liabilities</b>									
Payables								13,473	13,473
Borrowings	-	2,814	7,643					-	10,457
<b>Total</b>	-	<b>2,184</b>	<b>7,643</b>					<b>13,473</b>	<b>23,930</b>
Weighted Average Interest Rate	6.63%								
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	<b>91,858</b>	<b>(634)</b>	<b>(7,229)</b>					<b>-</b>	<b>(11,258)</b>

**Credit Risk Exposures** Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 15 & 16

### Reconciliation of Financial Assets and Liabilities

	2007 \$'000	2006 \$'000
Net financial assets from previous page	\$'000	\$'000
Financial Assets	97,505	96,667
Financial Liabilities	20,841	23,930
	<b>76,664</b>	<b>72,737</b>
Non-financial assets and liabilities (1)		
Inventories	136	155
Property, Plant & Equipment	3,246,217	3,239,624
Investment Property	2,175	1,910
Interest in Associated Bodies	772	774
Other Assets	479	529
Accrued Expenses	(239)	(421)
Provisions	(16,247)	(16,570)
	<b>3,233,293</b>	<b>3,226,001</b>
<b>Net Assets per Statement of Financial Position</b>	<b>3,309,957</b>	<b>3,298,738</b>

**Net Fair Value:** All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

### NOTE 16

#### SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 28 June 2007. The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

- › This note sets out the principal variations between the original budget and actual results for the income Statement.
- › Further information of the nature and amount of all variations is available from the Council office upon request.

#### I INCOME

##### I.1 Rates & Annual Charges (U 3 K)

- › Rates Income (U 199 K)
- › Annual Charge (F 196 K)

##### I.2 User Charges & Fees (F 1,276 K)

- › Parking Charges (F 231 K)
- › Development fees & Other Regulatory Charges (U 64 K)
- › Property Charges (F 1,307 K)\*
- › Hire Fees (F 375 K)
- › Library Fees (F 8 K)
- › Waste Fees (F 696 K)
- › Other Fees (F 218K)

\*The original budget for Property Charges is shown under Other Revenues (1,291 K).

##### I.3 Investment Revenues (F 1,870 K)

Interest receipts have been affected by:

- the level of developer contribution held
- collection of rates debtors
- favourable changes in interest rates
- favourable interest rates available on the short-term money market
- › Investment Interest (F 1,870 K)

##### I.4 Other Revenues (U 3,244 K)

- › Rental Income (F 151 K)
- › Fair Value Adjustment (F 265K)

- › Fines (U 61 K)
- › Recycling Income (F 666K)
- › Legal Fees Recovered (F 130 K)
- › Property Charges (U 1,303 K)\*
- › Dividends Received (U 390 K)
- › Other Income (U 2,889 K)\*\*

\*The actual receipts for Property Charges are shown under User Charges and Fees (1,307 K).

\*\*The actual receipts (1,854 K) for fleet disposals are offset by purchase cost less accumulated depreciation when arriving at profit or loss on disposal and the net is shown under Profit on Disposal of asset. Also included in Other Income is a 628 K unfavourable variance due largely to the budgeted Kimbriki rental receipt not being eliminated.

##### I.5 Grants & Contributions Received – Operating & Capital (F 777 K)

In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the original Budget was adopted.

In particular, major variations occurred in grants received for the following purposes:

- › • Roads & Bridges
- › • Employment & Training Programs
- › • Community Care Services
- › • Bushfire and Emergency Services
- › Operational Contributions (U 613 K)
- › Operational Grants (F 2,436 K)
- › Capital Contributions (U 435 K)
- › Capital Grants (U 611 K)

##### I.6 Profit on Disposal of Asset (F 80 K)

- › Gain due to sale of Plant and Equipment
- › Asset Sales (F 80 K)

##### I.7 Minority Interest (F 408 K)

#### 2 EXPENSES

##### 2.1 Employee Costs (F 2,391 K)

During the year Council employees are engaged in both maintenance and capital works, the proportions of which vary from year to year. Costs in relation to the capital works are excluded from the Operating Statement, and it is not Council's

practice to make detailed calculations for this as part of its budgeting procedures. Accordingly, significant variations will often arise in this area.

- › Salaries & Wages (F 960 K)
- › Leave Entitlements (F 1,263 K)
- › Training Cost (U 81 K)
- › Other Employment Costs (U 305 K)
- › Capitalisation of Employee Cost (F 474 K)

##### 2.2 Materials & Contracts (U 10,037 K)

Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year can effect substantial changes in this mix, resulting in significant budget variations in this item.

- › Planning and Development Legal Fees (U 491 K)\*
- › Other Legal Fees (U516 K)\*
- › Raw Materials and Consumables (F 2,625 K)
- › Contractor and Consultancy Costs (U 11,585 K)\*

\*The original budget for Legal Costs and some of the Contractor and Consultancy Costs is shown under Other Expenses (11,705 K)

##### 2.3 Borrowing Cost (U 341 K)

- › Interest on Overdraft (F 3 K)
- › Amortisation of discounts and Premiums – Remediation (Tip) (U 278 K)
- › Finance Lease Interest (U 66 K)

##### 2.4 Depreciation & Amortisation (U 418 K)

##### 2.5 Other Expenses (F 10,892 K)

- › Professional Services (F 1,835 K)
- › Lease Rental Expenses (F 1,036 K)
- › Insurance Costs (F 878 K)
- › Utility Cost (F 876 K)
- › Street Lighting (U 674 K)
- › Donations and Subsidy Expenses (F 461 K)
- › Payments to Other Levels of Government (U 433 K)
- › Administration Expenses (U 195 K)
- › Other Expenses (F 7,057 K)\*
- › \* The actual charges for many of the Other Expenses are shown under Materials and Contracts (\$7,670 K).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 17

### NOTE 17 STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS	Opening Balance	Contributions Received During Year	Interest Earned During Year	Expended During Year	Internal Transfers (to)/from	Held as Restricted Asset	Works Provided To Date
PURPOSE	\$'000	cash \$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage							
Roads							
Traffic Facilities	1,261	165	226	(379)		1,273	251
Parking	5,115		110	(5)	(302)	4,918	761
Open Space	5,589	1,194	391	(1,110)		6,064	143
Community facilities	5,302	266	415	(206)		5,777	57
Other	6,748	101	436	(886)		6,399	
Subtotal S94 under plans	24,015	1,726	1,578	(2,586)	(302)	24,431	1,212
Sec 94 not under plans	584		7	95		686	1,107
Sec 94A levies		339	4	(332)		11	634
<b>Total Contributions</b>	<b>24,599</b>	<b>2,065</b>	<b>1,589</b>	<b>(2,823)</b>	<b>(302)</b>	<b>25,128</b>	<b>2,953</b>
<b>Less land forfeited</b>	<b>419</b>					<b>419</b>	
<b>Cash balance of plan</b>	<b>24,180</b>					<b>24,709</b>	

Note: The above summary of contribution plans represent the total of Council's individual contribution plans. Individual plan details are shown below.

#### CONTRIBUTIONS NOT UNDER PLANS

Drainage	50		3	-19		34	
Traffic Facilities and Parking	67		4			71	
Child Care Reserve-Austlink	48			114		162	
<b>Total</b>	<b>165</b>		<b>7</b>	<b>95</b>		<b>267</b>	

#### STATEMENT OF CONTRIBUTION PLANS

##### CONTRIBUTION PLAN NO 1

Road & Traffic, Frenchs Forest							
Traffic Facilities E8	68		4			72	

##### CONTRIBUTION PLAN NO 3

Car parking, Collaroy							
Parking	284		18	-5		297	

##### CONTRIBUTION PLAN PART A

Embellishment of open space							
Open Space	96		6			102	

##### CONTRIBUTION PLAN PART B

Acquisition of open space - Brookvale, Collaroy/Narrabeen, Other							
Open Space E6	173		11	-13		171	

##### CONTRIBUTION PLAN PART D

Open space specific facilities - Frenchs Forest Large Parks, Red Hill Large Parks, Open Space E6	99		6			105	
--------------------------------------------------------------------------------------------------	----	--	---	--	--	-----	--

##### CONTRIBUTION PLAN PART F

Childcare Centres							
Community Facilities E2	799		52			851	

##### CONTRIBUTION PLAN PART G

Community Centres							
Community Facilities E5	41		3			44	

##### CONTRIBUTION PLAN PART H

Roads & Traffic Management in Frenchs Forest							
Traffic Facilities E8	31		2			33	

##### CONTRIBUTION PLAN PART I

Roads & Traffic Management in Warringah							
Traffic Facilities E8	85		3	-88			

##### CONTRIBUTION PLAN PART J

Car Parking Dee Why Parking E10	10					10	
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##### CONTRIBUTION PLAN PART K

Car Parking Brook Vale E11	249		14		-263		
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##### Administration and Planning studies

Old Plan E12	22		1			23	
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##### CONTRIBUTION PLAN E1

Open Space Linkages & Cycleway							
Open space	62	5	3	-47		23	

\* Land has been revalued as at 1/07/06 to comply with all assets revalued in this class.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 17

PURPOSE	Opening Balance \$'000	Contributions Received During Year non-cash cash \$'000	Interest Earned During Year \$'000	Expended During Year (To)/from \$'000	Internal Transfers \$'000	Held as Restricted Asset \$'000	Works Provided To Date \$'000
<b>STATEMENT OF CONTRIBUTION PLANS</b>							
CONTRIBUTION PLAN E2							
Children's Services							
Community Facilities	673	1	37	-114		597	
CONTRIBUTION PLAN E3							
Library Services							
Community Facilities	227	84	13	-91		233	
CONTRIBUTION PLAN E41							
Sports Field Embellishment							
Community Facilities	859	88	59	-1		1,005	
CONTRIBUTION PLAN E42							
Open Space Field Embellishment							
Open Space	119	35	9			163	
CONTRIBUTION PLAN E5							
Community Centres							
Community Facilities	67	93	8			168	
CONTRIBUTION PLAN E6							
Open Space Medium Density Areas							
Open Space	2,096	813	170	-185		2,894	
CONTRIBUTION PLAN E7							
Open Space Dee Why							
Open Space	2,944	341	186	-865		2,606	
CONTRIBUTION PLAN E8							
Roads and Traffic Management							
Traffic Facilities	999	165	66	-291		939	
CONTRIBUTION PLAN E9							
Perentie and Dawes Rd Release area							
Other	2,504		159	-748		1,915	
CONTRIBUTION PLAN E10							
Car Parking Dee Why							
Parking	663		43			706	
CONTRIBUTION PLAN E11							
Car Parking Brookvale							
Parking	240		15		-39	216	
CONTRIBUTION PLAN E12							
Administration and Planning Studies							
Other	722	101	49	-83		789	
Dee Why Town Centre							
Redevelopment Reserve							
Other	3,500		227	-55		3,672	
Dee Why Town Centre							
Car Parking							
Parking	3,669		20			3,689	
Dee why Town Centre							
Library Services							
Community Facilities	305		5			310	
Dee Why Town Centre							
Roads & Traffic Management							
Traffic Facilities	78		151			229	
Dee Why Town Centre							
Community Centre							
Community Facilities	2,331		238			2,569	
<b>Total</b>	<b>24,015</b>	<b>1,726</b>	<b>1,578</b>	<b>(2,586)</b>	<b>(302)</b>	<b>24,431</b>	

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Note 18

### Note 18

#### **CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION**

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### **POTENTIAL INSURANCE LOSSES**

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

#### **STATEWIDE MUTUAL**

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that the scheme has achieved a trading result across the three schemes where Total Assets exceed Liabilities by \$7,277,219. There is therefore no necessity for Council to carry provision in its Annual Financial Statements.

#### **LEGAL EXPENSES**

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to the 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 the date of these reports, Council had notice of five (5) appeals against planning decisions made prior to the reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Council is involved in a matter in the Court of Appeal which may cost Council in excess of \$100,000.

#### **RURAL FIRE FIGHTING ASSETS**

Council has title to, and is the registered owner of, 76 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

#### **SUPERANNUATION – Defined Benefits Schemes**

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee.

The Fund Secretary recommended the following statement:

"The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefits plan that 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 because the assets to the Scheme are pooled together for all Councils.

"The amount of the employer contributions recognised as an expense for the year ending 30 June 2007 was \$38,994.93.

"The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. This valuation found that the Scheme's assets were \$3,291.1 million and its past liabilities \$2,980.3million, giving it a surplus of \$310.8million. The existence of this surplus has resulted in Councils contributing in 2006/2007 at half the normal level of contributions. The financial position is monitored annually."

#### **RELOCATION OF NETBALL COURTS**

Council has announced the relocation of the netball courts to a site at Challenger Drive, Belrose. There are plans for a multi-purpose facility at this location.

\$600,000 has been allocated in this year's budget for survey, site investigation and design/documentation.

#### **NEW COMPUTER SYSTEM**

In May 2007 Council agreed to negotiate a contract for a new Asset Management Solution which should be finalised in 2007/08. An internal restriction of cash exists, as reported in Note 6. An allocation of \$800,00 is budgeted for 07/08, however, there may be unplanned expenses.

#### **CAPITAL EXPENDITURE**

In addition to those capital commitments disclosed on Note 12 to these statements the Warringah Plan 2007-2010 adopted by Council on 28 June 2007 provides for additional capital expenditure. The significant items, but at reporting date were not committed are:

Frank Grey Reserve, Curl Curl budgeted at \$500,000

(Source of funding is from Sportsfield Rectification Levy and contributions)

Reconstruction of failed retaining wall at Ocean Street Narrabeen budgeted at \$650,000

(Source of funding is from Infrastructure Levy)

Road Resheeting program budgeted at \$3,000,000

(Source of funding is from Infrastructure Levy, Grants & General Revenue)

Weldon Reserve, Curl Curl budgeted at \$750,000

(Source of funding is from Sportsfield Rectification Levy and contributions)

Replace air-conditioning, Civic Centre budgeted at \$500,000

(Source of funding is from Infrastructure Levy)

#### **BUILDING COMMENCEMENTS**

There are 202 construction certificates on hand awaiting collection. There is still building activity that may have commenced without proper approval and payment of appropriate fees however, the number has dropped significantly due to ongoing investigations and monthly audits that were implemented to monitor the possibility of further unlawful works.

#### **UNPAID INFRINGEMENT NOTICES**

Infringement income is collected by the Infringement Processing Bureau and is accounted for on a cash basis. Therefore there is no reliable basis for ascertaining collection ability of outstanding fines.

#### **DEVELOPER CONTRIBUTIONS EXPENDITURE**

Council is currently negotiating to acquire properties but had not entered into contracts as at 30 June 2007.

#### **PROPERTY DISPOSALS**

There are a number of properties currently with the Minister for Planning, awaiting reclassification. Subject to reclassification, these sites may be considered for sale.



# INDEPENDENT AUDITORS' REPORT

10 October 2007

The Administrator

Mr Dick Persson

Warringah Council

Pittwater Road

DEE WHY NSW 2099

Dear Sir,

## Audit Report - Year Ended 30 June 2007

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2007 and that all information required by us was readily available. We have signed and attached 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 Reports.

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 Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

Australian equivalents to International Financial Reporting Standards (AIFRS) were applied for the first time in the preparation of Council's financial statements. The basis of the preparation is outlined in Note 1.1 of the financial statements. Reconciliations and explanations of the effect of the transition to AIFRS regarding the recognition, measurement and disclosure of assets and liabilities are disclosed in Note 21.

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 \$10.655 million as compared with \$6.829 million in the previous year, an increase of \$3.826 million. The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2007	% of Total	2006	% of Total	Inc (Dec)
	\$000	\$000	\$000	\$000	\$000
<b>Revenues before capital items</b>					
Rates & annual charges	65,639	60%	60,962	59%	4,677
User charges, fees & other revenues	28,304	26%	25,602	25%	2,702
Grants & contributions provided for operating purposes	9,518	9%	10,447	10%	(929)
Interest & investment revenue	6,443	6%	5,540	5%	903
	<b>109,904</b>	100%	<b>102,551</b>	100%	<b>7,353</b>
<b>Expenses</b>					
Employee benefits & costs	40,326	40%	38,676	40%	1,650
Materials, contracts & other expenses	47,469	47%	46,124	47%	1,345
Depreciation, amortisation & impairment	11,893	12%	11,785	12%	108
Borrowing costs	955	1%	942	1%	13
	<b>100,643</b>	100%	<b>97,527</b>	100%	<b>3,116</b>
<b>Surplus (Deficit) before minority interests</b>	<b>\$9,261</b>		<b>\$5,024</b>		<b>\$4,237</b>
Grants & contributions provided for capital purposes	2,436		2,910		(474)
<b>Net surplus (Deficit) for the year</b>	<b>\$10,655</b>		<b>\$6,829</b>		<b>\$3,826</b>

The table above shows an overall increase over the previous year of \$3.826 million. As can be seen above rates and annual charges increased by \$4.677 million. Ordinary rates increased by \$5.282 million and consisted of permissible increases under rate pegging legislation of \$1.673 million and the infrastructure charge which was levied for the first time amounting to \$3.609 million. These increases were offset by domestic waste management charges which decreased by \$605,000.

# INDEPENDENT AUDITORS' REPORT

## 1.2 Funding Result

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

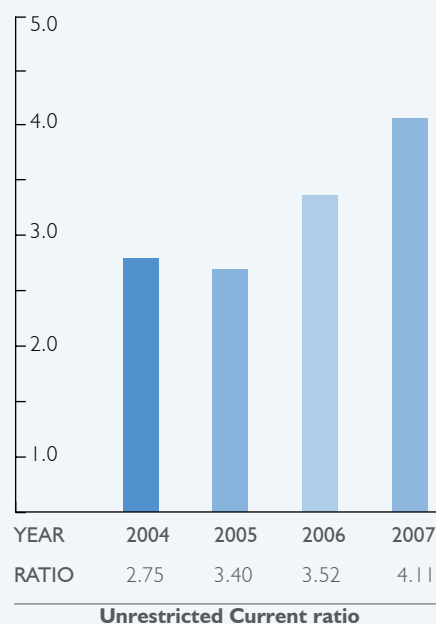
	2007	2006
<i>Funds were provided by:</i>	\$000	\$000
<b>Operating result (as above)</b>	<b>10,655</b>	<b>6,829</b>
Equity adjustments in the adoption of new accounting standards	0	161
Add back non funding items:		
Depreciation, amortisation & impairment	11,893	11,803
Book value of non current assets sold	1,501	3,899
(Gain) Loss of fair value to investment properties	(265)	(40)
(Surplus) Deficit in joint ventures	411	320
	24,195	22,954
Finance Leases	679	513
Transfers from externally restricted assets (net)	3,497	5,193
Increase in minority interests	564	0
	28,935	28,660
<i>Funds were applied to:</i>		
Purchase & construction of assets	(19,987)	(19,420)
Increase/purchase in non current investments	(1,984)	(154)
Principal repaid on loans	(2,177)	(794)
Finance lease instalments	(712)	(665)
Transfers to internal reserves (net)	(3,705)	(733)
Capital contributions to joint ventures	(409)	(409)
Decrease in minority interests	0	(1,982)
Net charges in current/non current assets & liabilities	(372)	(253)
	(29,346)	(24,410)
<b>Increase/(decrease) in available working capital</b>	<b>(411)</b>	<b>4,250</b>

## 2 Financial Position

### 2.1 Unrestricted Current Ratios

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 \$47.062 million representing a factor of 4.11 to 1.



## 2.2 Available Working Capital (Working funds)

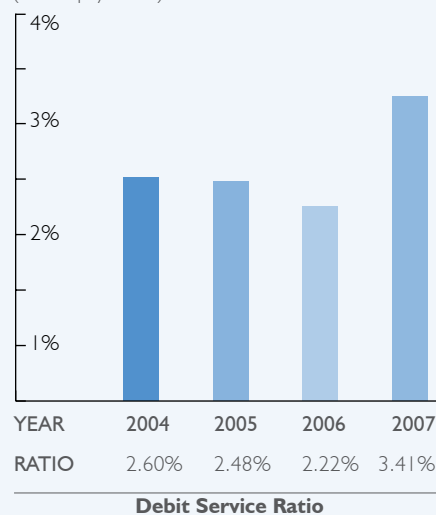
At the close of the year the Available Working Capital of Council stood at \$14.834 million as detailed below;

	2007 \$000	2006 \$000	Change \$000
Net Current Assets (Working Capital) as per accounts	<b>60,386</b>	<b>58,500</b>	1,886
<b>Add:</b> payables & provisions not expected to be realised in the next 12 months included above	8,048	9,090	(1,042)
Adjusted net current assets	68,434	67,590	844
<b>Add:</b> budget expected to pay in the next 12 months			
-Borrowings	1,483	2,814	(1,331)
-Employees leave entitlements	4,016	3,778	238
-Self insurance claims	373	327	46
-Deposits & retention moneys	1,478	1,478	0
<b>Less:</b> Externally restricted assets	(21,372)	(24,869)	3,497
Less: Internally restricted assets	(39,578)	(35,873)	(3,705)
<b>Available Working Capital as at 30 June</b>	<b>\$14,834</b>	<b>\$15,245</b>	<b>\$411</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

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 3.41%.



## 2.4 Summary

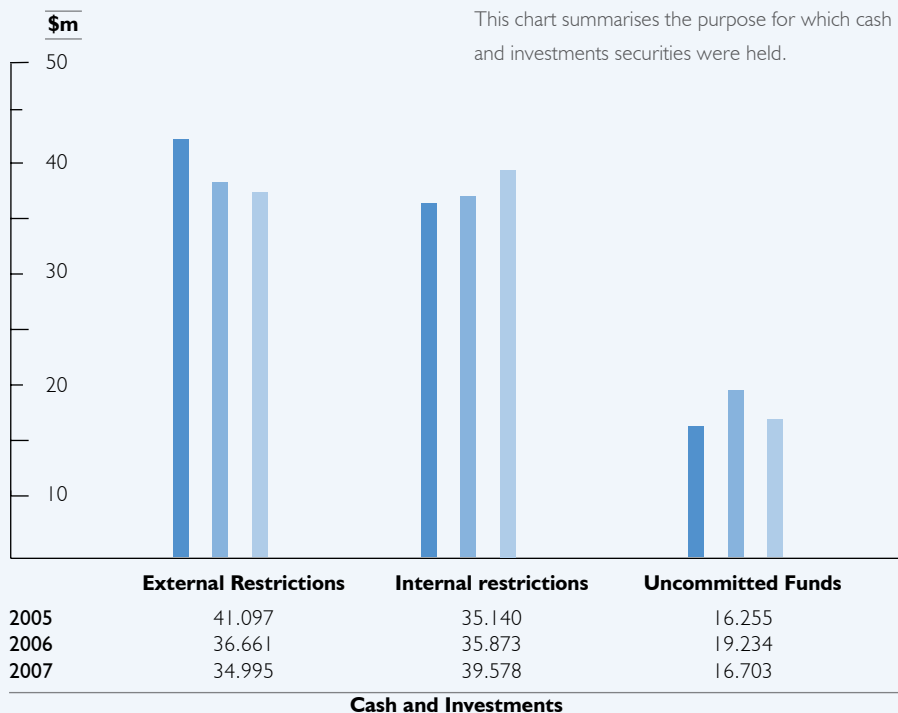
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

## 3. RESULTS FOR THE YEAR

### 3.1 Cash & Investment Securities

Highly liquid cash and investments (\$77.138 million) and investments held with maturity dates beyond 12 months (\$14.138 million) totalled \$91.276 million at 30 June 2007 as compared with \$91.858 million in 2006 and \$92.492 million in 2005.

**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$24.709 million), domestic waste management charges (\$1.992 million), sportsfield rectification levies (\$3.451 million), environmental stormwater management levies (\$2.834 million), infrastructure levy (\$260,000) and specific purpose grants and contributions (\$1.749 million).



# INDEPENDENT AUDITORS' REPORT

**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 \$39.578 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$16.703 million, which are available to provide liquidity for day to day operations and form the basis of Council's healthy financial position.

## 3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$2.566 million to \$77.138 million at the close of the year.

In addition to operating activities which contributed net cash of \$20.899 million were the proceeds from the sale of assets (\$1.581 million) and new finance lease commitments (\$679,000). Cash outflows other than operating activities were used to repay loans (\$2.177 million), pay finance lease installments (\$712,000), contribute capital to the Rural Fire Service (\$409,000), make distributions to minority interests in the Kimbriki joint venture (\$440,000) and to purchase and construct assets (\$19.987 million).

## 4. RECEIVABLES

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

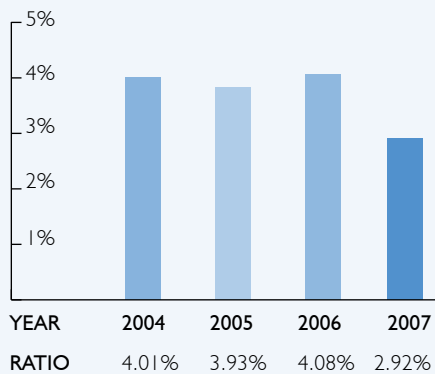
Net rates and annual charges levied during the year totalled \$65.639 million and represented 58.43% (2006 - 57.81%) of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$67.900 million of which \$66.178 million (97.46%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.995 million at the end of the year & represented 2.92% of those receivables.

The graph alongside demonstrates a significant improvement in Council's collection performance.



**Rates, Annual & Extra Charges Outstanding**

### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$4.462 million and mainly consisted of user charges and fees (\$3.172 million) and amounts due from government departments (\$1.073 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$228,000.

## 5. PAYABLES

### 5.1 Self Insurance

**Workers Compensation** insurance claims have been actuarially assessed at \$895,000 (2006 - \$1.021 million) and a bank guarantee of \$2 million is held to cover these claims as required by the Workcover Authority of NSW.

### Public Liability & Professional Indemnity

claims payable by Council (ie up to the excess layer) have been actuarially assessed at \$724,000

(2006 - \$636,000) and is fully funded with internally restricted cash and investments.

### 5.2 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$9.105 million. Internally restricted cash and investments of \$2.791 million was held representing 30.65% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

### 5.3 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$5.050 million and is fully funded with internally restricted cash and investments.

### 5.4 Tip Relocation Provision

Council's provision for its liability toward tip remediation stood at \$5.523 million. Internally restricted land and buildings are held in respect to this liability. The land and buildings are jointly owned with Manly, Mosman and Pittwater Councils and the value of Warringah's share (64.5%) of the properties was \$5.210 million.

## 6. CONCLUSION

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

**Yours faithfully,**  
**SPENCER STEER**  
**Chartered Accountants**  
**N. MAH CHUT**  
**Partner**

# GENERAL PURPOSE FINANCIAL REPORT

## Independent Auditors' Report

### SCOPE

We have audited the *general purpose financial report* of Warringah Council for the year ended 30 June 2007, comprising the Statement by Councillors and Management, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes to the Financial Statements. The financial statements include the consolidated accounts of the economic entity comprising the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council. In respect of the original budget figures disclosed in the Income Statement, Cash Flow Statement and Note 2(a), we have not examined the underlying basis of their preparation. Similarly, we have not examined the variations from the adopted budget disclosed in Note 16 and therefore express no opinion on them.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements under the Local Government Act 1993 so as to present a view which is consistent with our understanding of the Council's and the economic entity's financial position, the result of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### AUDIT OPINION

In our opinion,

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- (b) the general purpose financial report
  - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
  - (ii) is consistent with the Council's accounting records; and
  - (iii) presents fairly the Council's financial position and the results of its operations
  - (iv) are in accordance with applicable accounting standards and other mandatory professional reporting requirements.
- (c) we have been able to obtain all the information relevant to the conduct of our audit; and
- (d) there are no material deficiencies in the accounting records or financial reports that we have become aware of during the course of the audit.

### SPENCER STEER

Chartered Accountants



### N. MAH CHUT

Partner

Dated at Sydney this 10 September 2007

# SPECIAL PURPOSE FINANCIAL REPORTS

for the year ended 30 June 2007

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### SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ending 30 June 2007

#### 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 drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

- › NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- › Department of Local Government guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality".
- › The Department of Energy, Utilities and Sustainability "Best Practice Management of Water Supply and Sewerage" guidelines.

To the best of our knowledge and belief, these reports

- › Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- › Accord 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 9 October 2007



Dick Persson

ADMINISTRATOR



Rik Hart

GENERAL MANAGER



Gary Mottau

RESPONSIBLE ACCOUNTING OFFICER

# SPECIAL PURPOSE FINANCIAL REPORTS

for the year ended 30 June 2007

## INCOME STATEMENT BY BUSINESS ACTIVITIES

BUSINESS ACTIVITIES	Children Services		Kimbriki		Glen Street Theatre		Construction Certificates	
	'000	'000	'000	'000	'000	'000	'000	'000
Notes= N	2007	2006	2007	2006	2007	2006	2007	2006
REVENUE FROM CONTINUING OPERATIONS								
Rates & Annual Charges NA4								
User Charges & Fees NA4	3,578	3,428	9,496	7,409	1,916	1,710	156	86
Interest Received NA4			468	512		44		
Grants & Contributions - Operating NA4	453	687	183	619	388	379		
Gain on Disposal of Assets NA5	11	21						
Other Operating Revenues NA4			683	739	147	81		
<b>TOTAL</b>	<b>4,042</b>	<b>4,136</b>	<b>10,830</b>	<b>9,279</b>	<b>2,451</b>	<b>2,214</b>	<b>156</b>	<b>86</b>
EXPENSES FROM CONTINUING OPERATIONS								
Employee Costs NA3	2,796	2,851	1,465	1,428	864	569	60	44
Materials & Contracts NA3	253	222	4,008	3,395	1,290	1,466	92	39
Borrowing Costs NA3				264				
Depreciation & Amortisation NA3	203	200	117	288	36	16		
Other Operating Expenses NA3	1,356	1,290	3,523	2,086	123	28	4	3
Loss on Disposal of Assets NA5			5					
NCP Imputation Payments N2	132	135	39	36	9			
<b>TOTAL</b>	<b>4,740</b>	<b>4,698</b>	<b>9,157</b>	<b>7,497</b>	<b>2,322</b>	<b>2,079</b>	<b>156</b>	<b>86</b>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS	(698)	(562)	1,673	1,782	129	135		
Grants & Contributions - Capital NA4								
RESULT FROM ORDINARY ACTIVITIES	(698)	(562)	1,673	1,782	129	135		
Discontinued Operations								
SURPLUS (DEFICIT) BEFORE TAX	(698)	(562)	1,673	1,782	129	135		
Corporate Taxation Equivalent N2			502	535	39	41		
SURPLUS (DEFICIT) FOR YEAR	(698)	(562)	1,171	1,247	90	94		
Allocation Adjustment related to Property, Plant & Equipment	(2)	21	44	653	210	18		
Add: Accumulated Profits brought forward	3,268	3,447	14,468	18,565	2,767	2,632	20	20
NCP Imputation Payments retained NI	267	266	75	800	9	60		
Add: Council Contribution	228	96	(14)	(242)	(173)	(37)		(3)
Less: Dividends Paid N2			(855)	(6,555)				
<b>ACCUMULATED SURPLUS</b>	<b>3,063</b>	<b>3,268</b>	<b>14,889</b>	<b>14,468</b>	<b>2,903</b>	<b>2,767</b>	<b>20</b>	<b>20</b>
RATE OF RETURN ON CAPITAL N2	NIL	NIL	18.50%	22.44%	4.90%	5.49%	NIL	NIL
NOTIONAL SUBSIDY FROM COUNCIL N2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET BY FINANCIAL POSITION BY BUSINESS ACTIVITIES</b>								
Cash & cash equivalents NA6			7,441	7,356	152	96		
Investments NA6					785	788		
Receivables NA7			1,600	545	65	(2)		
Inventories NA8					9	32		
Other NA8				1	160	210		
<b>TOTAL CURRENT ASSETS</b>	<b>0</b>	<b>0</b>	<b>9,041</b>	<b>7,902</b>	<b>1,171</b>	<b>1,124</b>	<b>0</b>	<b>0</b>
<b>NON-CURRENT ASSETS</b>								
Property, Plant & Equipment NA9	3,063	3,268	9,045	9,118	2,633	2,459	20	20
Tip Remediation Asset NA8			4,252	4,409				
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,063</b>	<b>3,268</b>	<b>13,297</b>	<b>13,257</b>	<b>2,633</b>	<b>2,459</b>	<b>20</b>	<b>20</b>
<b>TOTAL ASSETS</b>	<b>3,063</b>	<b>3,268</b>	<b>22,338</b>	<b>21,429</b>	<b>3,804</b>	<b>3,583</b>	<b>20</b>	<b>20</b>
<b>CURRENT LIABILITIES</b>								
Payables NA10			1,926	1,716	826	733		
Interest bearing liabilities NA10								
Provisions NA10					49	83		
<b>TOTAL CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>1,926</b>	<b>1,716</b>	<b>875</b>	<b>816</b>	<b>0</b>	<b>0</b>
<b>NON-CURRENT LIABILITIES</b>								
Payables NA10								
Interest bearing liabilities NA10								
Provisions NA10			5,523	5,245	26			
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>5,523</b>	<b>5,245</b>	<b>26</b>		<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>7,449</b>	<b>6,961</b>	<b>901</b>	<b>816</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>	<b>3,063</b>	<b>3,268</b>	<b>14,889</b>	<b>14,468</b>	<b>2,903</b>	<b>2,767</b>	<b>20</b>	<b>20</b>
<b>EQUITY</b>								
Accumulated Surplus	3,063	3,268	14,889	14,468	2,903	2,767	20	20
Asset Revaluation Reserve								
<b>TOTAL EQUITY</b>	<b>3,063</b>	<b>3,268</b>	<b>14,889</b>	<b>14,468</b>	<b>2,903</b>	<b>2,767</b>	<b>20</b>	<b>20</b>

This Statement is to be read in conjunction with the included Notes.

# SPECIAL PURPOSE FINANCIAL REPORTS

for the year ended 30 June 2007

## NOTE I

### NOTE I SIGNIFICANT ACCOUNTING POLICIES

#### I. The Special Purpose Financial Reports

These financial statements are a Special Purpose Financial Report prepared for use by the Council, the Department of Local Government, and the Department of Energy, Utilities and Sustainability. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines, and the specific requirements relating to Best Practice Management of water and sewer business units.

In preparing these reports, each business unit has been viewed as a separate unit, and accordingly transactions between different business units, and between business units and other Council operations, have not been eliminated.

#### 2. Basis of Accounting

##### 2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement "Application of National Competition Policy to Local Government", the Department of Local Government's July 1997 guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality" and the Department of Energy, Utilities and Sustainability's May 2004 guidelines "Best-Practice Management of Water Supply and Sewerage".

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

##### 2.2 Basis

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

#### 3. National Competition Policy

In accordance with the framework set out in the June 1996 NSW Government Policy Statement "Application of National Competition Policy to Local Government" and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

##### Category I

Children's Services – Child Care and Long Day Care.

Kimbriki Waste and Recycling Centre – Domestic and Commercial Waste Management

Glen Street Theatre

##### Category 2

###### Warringah Aquatic Centre

The Const. Cert. Certification – Construction Certificate Certification activity of the Urban Development Approvals Service (part of Council's Local Approval Service Unit)

The Department of Local Government's July 1997 guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality" 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, rate of return on investments in business units and dividends paid.

##### 3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. From 30 June 2004 the Department of Energy, Utilities and Sustainability's May 2004 guidelines "Best-Practice Management of Water Supply and Sewerage" require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

##### 3.2 Council Rates, Charges & Fees

Council rates have been imputed in relation to all non-rateable land, and applied in relation to all rateable land, owned or exclusively used by all business units. Annual and User Charges, and Regulatory and Other Fees, have been applied in relation to all services supplied to business units by Council or other business units.

##### 3.3 Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each business unit.

##### 3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Statements of Financial Performance of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

##### 3.5 Dividends Paid

In accordance with National Competition Policy guidelines, it is expected that business units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

Council is permitted, but not required, to pay a dividend to the general funds of the Council from surpluses generated by water supply and sewerage operations. The maximum amount of such dividend permitted under the "Best-Practice Management of Water Supply and Sewerage" guidelines is set out at the foot of the relevant Statements of Financial Performance. Actual payment of the dividend is subject to compliance with the procedures set out in the guidelines.

##### 3.6 Return on Investment (Rate of Return)

The Policy statement states that Category I businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the

carrying value of Property, Plant & Equipment at the reporting date.

### **3.7 Notional Subsidy from Council**

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, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

### **4. Other Accounting Policies and Notes**

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Statements of Financial Performance of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

### **5. Rounding**

In accordance with the Code of Accounting Practice all amounts shown in these statements are in Australian currency and, have been rounded to the nearest thousand dollars.

### **6. National Competition Policy Notional Payments**

The table forming part of this Note immediately follows.

# SPECIAL PURPOSE FINANCIAL REPORTS

## Independent Auditors' Report

### SCOPE

We have audited the *special purpose financial report* of Warringah Council for the year ended 30 June 2007, comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet of Business Activities, and accompanying Notes to the Financial Statements. The financial statements include the accounts of the declared business activities of the Council. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

The special purpose financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the result of their operations.


The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

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

### SPENCER STEER

Chartered Accountants



**N. MAH CHUT**

Partner

Dated at Sydney this 10th day of October 2007

# SPECIAL SCHEDULES

for the year ended 30 June 2007

## SPECIAL SCHEDULE NO 1

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Function or Activity	Expenses from continuing operations			Income from continuing operations		NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	1,585		497			1,088	
		1,585			497		1,088
ADMINISTRATION							
Corporate Support	32,543		898	2,060		29,585	
Engineering & Works	8,789		339	35		8,415	
Other Support Services	2,116		1,588			528	
		43,448			4,920		38,528
PUBLIC ORDER & SAFETY							
Statutory Contribution							
- Fire Service Levy	1,831					1,831	
Fire Protection - Other	3					3	
Animal Control	78		86			(8)	
Beach Control	268					268	
Enforcement of Local Govt Regulations	1,110		1,774			(664)	
Emergency Services	1					1	
Other	170		103			67	
		3,461			1,963		1,498
HEALTH							
Administration & Inspection	148		5			143	
Immunisations							
Food Control							
Insect/Vermin Control							
Noxious Plants							
Health Centres							
Other							
		148			5		143
COMMUNITY SERVICES & EDUCATION							
Administration	436		28			408	
Family Day Care	672		708			(36)	
Child Care	3,051		3,129			(78)	
Youth Services	254		116			138	
Other Families & Children	802		800			2	
Aged & Disabled	676		411			265	
Migrant Services							
Aboriginal Services							
Other Community Services	343		11			332	
Education							
		6,234			5,203		1,031
HOUSING & COMMUNITY AMENITIES							
Housing							
Town Planning	2,664		1,065			1,599	
Domestic Waste Management	656		1,117			(461)	
Other Waste Management	9,245		9,038			207	
Street Cleaning	418					418	
Other Sanitation & Garbage	44		374			(330)	
Urban Stormwater Drainage	262		12			250	
Environmental Protection	3,933		959			2,974	
Public Cemeteries							
Public Conveniences							
Other Community Amenities							
		17,222			12,565		4,657

# SPECIAL SCHEDULES

for the year ended 30 June 2007

## SPECIAL SCHEDULE NO 1

Function or Activity	Expenses	Expenses from continuing operations		Income from continuing operations		NET COST OF SERVICES	
		Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
<b>RECREATION &amp; CULTURE</b>							
Public Libraries	3,109		240			2,869	
Museums							
Art Galleries							
Community Centres	894		720			174	
Public Halls							
Other Cultural Services	2,729		1,995			734	
Swimming Pools	2,108		2,183	12		(87)	
Sporting Grounds	4					4	
Parks & Gardens, Lakes	3,262		400	55		2,807	
Other Sport & Recreation	220		59	15		146	
		12,326			5,679		6,647
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>							
Building Control	4,038		2,083			1,955	
Abattoirs							
Quarries & Pits							
Other							
		4,038			2,083		1,955
<b>TRANSPORT &amp; COMMUNICATION</b>							
Urban Roads: Local	1,922		2,778	160		(1,016)	
Urban Roads: Regional							
Sealed Rural Roads: Local							
Sealed Rural Roads: Regional							
Unsealed Rural Roads: Local							
Unsealed Rural Roads: Regional							
Bridges - Urban Roads: Local							
Bridges - Urban Roads: Regional							
Bridges - Sealed Rural Roads: Local							
Bridges - Sealed Rural Roads: Regional							
Bridges - Unsealed Rural Roads: Local							
Bridges - Unsealed Rural Roads: Regional							
Footpaths							
Aerodromes							
Parking Areas	28					28	
Bus Shelters & Services							
Water Transport							
RTA Works - State Roads							
Street Lighting	1,613		300			1,313	
Other	11					11	
		3,574			3,238		336

# SPECIAL SCHEDULES

for the year ended 30 June 2007

## SPECIAL SCHEDULE NO 1 & 7

Function or Activity	Expenses	Expenses from continuing operations		Income from continuing operations		NET COST OF SERVICES	
		Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
<b>ECONOMIC AFFAIRS</b>							
Camping Areas							
Caravan Parks							
Tourism & Area Promotion							
Industrial Development Promotion							
Saleyards & Markets							
Real Estate Development							
Commercial Nurseries							
Other Business Undertakings	8,196		9,918			(1,722)	
		8,196		9,918			(1,722)
<b>TOTALS - FUNCTIONS</b>		<b>100,232</b>		<b>46,071</b>			<b>54,161</b>
General Purpose Revenues			66,269			66,629	
Equity accounted income (loss)							
					<b>66,629</b>		<b>66,629</b>
Extra Ordinary Items & Council Restructure							411
Extra Ordinary Items (Minority Interest)							(1,042)
<b>NET OPERATING RESULT FOR YEAR</b>							<b>10,655</b>

## SPECIAL SCHEDULE NO 2 (1)

### STATEMENT OF LONG TERM DEBT (ALL PURPOSE)

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption From Revenue		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of 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	2,181	7,153	9,334		2,177		610	868	6,289	7,157	
Other											
<b>Total Loans</b>	<b>2,181</b>	<b>7,153</b>	<b>9,334</b>		<b>2,177</b>		<b>610</b>	<b>868</b>	<b>6,289</b>	<b>7,157</b>	
<b>OTHER LONG TERM DEBT</b>											
Ratepayers' Advances											
Government Advances											
Finance Leases	633	490	1,123	679	712		67	615	475	1,090	
Deferred Payment											
Other											
Total Other Long Term Debt	<b>633</b>	<b>490</b>	<b>1,123</b>	<b>679</b>	<b>712</b>		<b>67</b>	<b>615</b>	<b>475</b>	<b>1,090</b>	
<b>TOTAL LONG TERM DEBT</b>	<b>2,814</b>	<b>7,643</b>	<b>10,457</b>	<b>679</b>	<b>2,889</b>		<b>677</b>	<b>1,483</b>	<b>6,764</b>	<b>8,247</b>	

This Schedule excludes Internal Loans and refinancing of existing borrowings.

## SPECIAL SCHEDULE NO 7 (1) "SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

### ASSET CONDITION

The following condition codes have been used in Schedule 1 and 7.

- |                                                               |                                              |
|---------------------------------------------------------------|----------------------------------------------|
| 1 Newly constructed                                           | 5 Partly worn - beyond 50% of economic life. |
| 2 Over 5 years old but fully maintained in "as new" condition | 6 Worn but serviceable                       |
| 3 Good condition                                              | 7 Poor - replacement required                |
| 4 Average condition                                           |                                              |

# SPECIAL SCHEDULES

for the year ended 30 June 2007

## SPECIAL SCHEDULE NO 7 & 8

### SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated cost to bring a satisfactory standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
	References	Note 9	'000 Note 4	'000 Note 9	'000	'000	'000		'000 Local Govt. Act 1993, Section 428 (2d)	'000	'000
<b>Public Buildings / Council Offices</b>											
Poor		1%	87	8,520		4,027	4,493	Poor	4,349	650	153
Fair		1%	57	54,771		25,886	28,885	Fair	273	1,303	594
Average		1%	520	51,120		24,160	26,960	Average		679	466
Good		1%	74	7,303		3,451	3,852	Good		153	140
Excellent		1%						Excellent		62	63
<b>Subtotal</b>			<b>1,238</b>	<b>121,714</b>	<b>0</b>	<b>57,524</b>	<b>64,190</b>		<b>4,622</b>	<b>2,847</b>	<b>1,416</b>
<b>Public Roads</b>											
Poor		1%	258	25,373		7,612	17,761	Poor	2,556		593
Fair		1%	1,076	105,905		31,770	74,135	Fair	7,906		1,393
Average		1%	911	89,601		26,879	62,722	Average		2,246	948
Good		1%	492	48,441		14,531	33,910	Good		1,106	651
Excellent		1%	613	60,301		18,089	42,212	Excellent		1,103	363
<b>Subtotal</b>			<b>3,350</b>	<b>329,621</b>	<b>0</b>	<b>98,881</b>	<b>230,740</b>		<b>10,462</b>	<b>4,455</b>	<b>3,948</b>
<b>Drainage Works</b>											
Poor		1%	7	719		357	362	Failed	741	4	16
Fair		1%	41	4,143		2,060	2,083	Poor	2,132	21	63
Average		1%	1,965	196,871		97,876	98,995	Average	1,191	1,340	349
Good		1%	864	86,542		43,025	43,517	Good	297	445	15
Excellent		1%	406	40,673		20,221	20,452	Excellent		209	7
<b>Subtotal</b>			<b>3,283</b>	<b>328,948</b>	<b>0</b>	<b>163,539</b>	<b>165,409</b>		<b>4,361</b>	<b>2,109</b>	<b>450</b>
<b>Total Classes - all assets</b>			<b>7,871</b>	<b>780,283</b>	<b>0</b>	<b>319,944</b>	<b>460,339</b>		<b>19,445</b>	<b>9,321</b>	<b>5,814</b>

This Schedule is to be read in conjunction with the explanatory notes on page 76.

### SPECIAL SCHEDULE NO 8 FINANCIAL PROJECTIONS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Recurrent Budget</b>											
Income from continuing operations	112	112	115	118	121	125	128	131	135	138	142
Expenses from continuing operations	101	109	110	112	115	119	122	125	128	131	135
<b>Operating result from continuing operations</b>	<b>11</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Capital Budget</b>											
New Works	10	6	13	14	2	3	2	3	2	3	2
Replacement of existing assets	10	10	10	12	13	14	14	14	14	15	15
	<b>20</b>	<b>16</b>	<b>23</b>	<b>26</b>	<b>15</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>18</b>	<b>17</b>
<b>Funded by</b>											
- Loans			18								
- Asset Sales			10								
- Reserves	2	2	(20)	10	2						
- Grants/Contributions	3	5	4	4	4	4	4	4	4	4	4
- Recurrent revenue	11	3	5	5	5	6	6	6	7	7	7
- Other	4	6	6	6	3	7	6	7	5	7	6
	<b>20</b>	<b>16</b>	<b>23</b>	<b>26</b>	<b>15</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>18</b>	<b>17</b>



