



GENERAL PURPOSE AND SPECIAL PURPOSE FINANCIAL REPORTS

For former Pittwater Council

For the period ended 12 May 2016

The former Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016



**"To be a vibrant sustainable community of
connected villages inspired by bush, beach and water"**

The former Pittwater Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Pittwater Council.
- (ii) The former Pittwater Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Northern Beaches Council on 23 November 2016. Council has the power to amend and reissue these financial statements.
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The former Pittwater Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial period ended 12 May 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the period, listing all income and expenses.

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

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

The former Pittwater Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Northern Beaches Council made on 22 November 2016.



Dick Persson
Administrator



Mark Ferguson
General Manager



David Walsh
Responsible Accounting Officer

The former Pittwater Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹		Notes	Actual	Actual
1/7/15			1/7/15	1/7/14
to 12/5/16	\$ '000		to 12/5/16	to 30/6/15
Income from continuing operations				
Revenue:				
51,683	Rates and annual charges	3a	51,792 ²	51,152
15,405	User charges and fees	3b	17,226	17,133
1,114	Interest and investment revenue	3c	1,097	1,323
3,233	Other revenues	3d	4,049	3,871
3,146	Grants and contributions provided for operating purposes	3e,f	6,327 ³	4,411
15,767	Grants and contributions provided for capital purposes	3e,f	11,419	12,830
Other income:				
147	Net gains from the disposal of assets	5	402	248
	Net share of interests in joint ventures and			
545	associates using the equity method	19	1,686	1,372
91,040	Total income from continuing operations		93,998	92,340
Expenses from continuing operations				
26,902	Employee benefits and on-costs	4a	26,701	28,578
916	Borrowing costs	4b	793	936
14,361	Materials and contracts	4c	18,868	19,642
7,923	Depreciation and amortisation	4d	11,231	8,974
18,254	Other expenses	4e	17,588	19,669
68,356	Total expenses from continuing operations		75,181	77,799
22,684	Operating result from continuing operations		18,817	14,541
22,684	Net operating result for the period		18,817	14,541
22,684	Net operating result attributable to Council		18,817	14,541
6,917	Net operating result for the period before grants and contributions provided for capital purposes		7,398	1,711

¹ Original budget as approved by Council adjusted for the budget related to the period 13 May 2016 to 30 June 2016 - refer to Note 16

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

The former Pittwater Council

Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		18,817	14,541
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	92,420	—
Total items which will not be reclassified subsequently to the operating result		92,420	—
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Revaluation decrease in operational land	20b (ii)	—	(454)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	(454)
Total other comprehensive income for the period		92,420	(454)
Total comprehensive income for the period		111,237	14,087
Total comprehensive income attributable to Council		111,237	14,087

The former Pittwater Council

Statement of Financial Position
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15	Actual 30/6/14
ASSETS				
Current assets				
Cash and cash equivalents	6a	4,508	5,503	4,821
Investments	6b	39,500	30,500	26,500
Receivables	7	16,094	5,057	3,807
Inventories	8	105	125	51
Other	8	558	719	48
Total current assets		60,765	41,904	35,227
Non-current assets				
Receivables	7	1,219	1,065	977
Infrastructure, property, plant and equipment	9	977,411	876,608	866,920
Investments accounted for using the equity method	19	7,894	6,756	5,661
Investment property	14	2,000	1,840	1,840
Intangible assets	25	–	2,672	2,812
Total non-current assets		988,524	888,941	878,210
TOTAL ASSETS		1,049,289	930,845	913,437
LIABILITIES				
Current liabilities				
Payables	10	8,304	9,127	6,312
Borrowings	10	2,820	1,488	1,284
Provisions	10	7,567	7,787	7,648
Total current liabilities		18,691	18,402	15,244
Non-current liabilities				
Borrowings	10	21,025	14,174	14,011
Provisions	10	262	195	195
Total non-current liabilities		21,287	14,369	14,206
TOTAL LIABILITIES		39,978	32,771	29,450
Net assets		1,009,311	898,074	883,987
EQUITY				
Retained earnings	20	866,863	848,046	833,505
Revaluation reserves	20	142,448	50,028	50,482
Council equity interest		1,009,311	898,074	883,987
Total equity		1,009,311	898,074	883,987

The former Pittwater Council

Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		848,046	50,028	898,074	–	898,074
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		848,046	50,028	898,074	–	898,074
c. Net operating result for the period		18,817	–	18,817	–	18,817
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	92,420	92,420	–	92,420
Other comprehensive income		–	92,420	92,420	–	92,420
Total comprehensive income (c&d)		18,817	92,420	111,237	–	111,237
Equity – balance at end of the reporting period		866,863	142,448	1,009,311	–	1,009,311

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		1,015,210	50,482	1,065,692	–	1,065,692
a. Correction of prior period errors	20 (c)	(4,755)	–	(4,755)	–	(4,755)
b. Changes in accounting policies (prior year effects)	20 (d)	(176,950)	–	(176,950)	–	(176,950)
Revised opening balance (as at 1/7/14)		833,505	50,482	883,987	–	883,987
c. Net operating result for the year		14,541	–	14,541	–	14,541
d. Other comprehensive income						
– Operational land revaluation decrease	20b (ii)	–	(454)	(454)	–	(454)
Other comprehensive income		–	(454)	(454)	–	(454)
Total comprehensive income (c&d)		14,541	(454)	14,087	–	14,087
Equity – balance at end of the year		848,046	50,028	898,074	–	898,074

The former Pittwater Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget			Actual	Actual
1/7/15			1/7/15	1/7/14
to 12/5/16	\$ '000	Notes	to 12/5/16	to 30/6/15
Cash flows from operating activities				
Receipts:				
51,818	Rates and annual charges		43,395	51,107
14,937	User charges and fees		20,142	18,077
1,114	Investment and interest revenue received		881	1,331
18,686	Grants and contributions		7,638	16,509
–	Bonds, deposits and retention amounts received		539	891
3,235	Other		6,718	6,839
Payments:				
(27,478)	Employee benefits and on-costs		(26,945)	(28,469)
(14,459)	Materials and contracts		(23,674)	(19,458)
(916)	Borrowing costs		(793)	(936)
–	Bonds, deposits and retention amounts refunded		(437)	(894)
(18,585)	Other		(19,026)	(22,018)
28,352	Net cash provided (or used in) operating activities	11b	8,438	22,979
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		74,000	76,750
661	Sale of infrastructure, property, plant and equipment		1,368	1,233
242	Distributions received from joint ventures and associates		548	277
Payments:				
–	Purchase of investment securities		(83,000)	(80,750)
(23,352)	Purchase of infrastructure, property, plant and equipment		(10,532)	(20,174)
(22,449)	Net cash provided (or used in) investing activities		(17,616)	(22,664)
Cash flows from financing activities				
Receipts:				
8,800	Proceeds from borrowings and advances		9,200	1,650
Payments:				
(1,511)	Repayment of borrowings and advances		(1,017)	(1,283)
7,289	Net cash flow provided (used in) financing activities		8,183	367
13,192	Net increase/(decrease) in cash and cash equivalents		(995)	682
34,786	Plus: cash and cash equivalents – beginning of reporting period	11a	5,503	4,821
47,978	Cash and cash equivalents – end of reporting period	11a	4,508	5,503
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	39,500	30,500
	Total cash, cash equivalents and investments		44,008	36,003

Please refer to Note 11 for additional cash flow information

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

(ii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iii) Early adoption of accounting standards

The former Pittwater Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(iv) Basis of accounting

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

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

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

(v) Changes in accounting policies

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

There has been a change in the accounting policy due to the change in the methodology of revaluation of community land when compared with the previous statements. The community land was valued at fair value and over the years the council has progressively revalued all the land parcels. For those land parcels with no VG valuation council has used an internal valuation method. The internal method will value those land parcels surrounding the land with the available average VG valuations. The average land value per sq. metre rate will be used in calculating those land parcels with no VG Valuation. The net change in the value of assets had a reduction of \$176.950 million that has been corrected in the council financial statements. Further to this reclassifying the non-current asset which resulted in the application of different depreciation rates that were corrected for those asset classes and it was identified (in land improvements and other assets categories) to have a \$4.755 million write back in the council financial statements. When compared with previous financial statements relating reclassifying the non-current asset and changing the accounting

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

policies relating the valuation methodology of the non-current assets [refer Note 20 (d)].

(vi) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Councils accounting policies

- (i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Pittwater Council has been amalgamated into Northern Beaches Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Northern Beaches Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:
 - all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils
 - new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties
 - any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.
- The former Pittwater Council has not been liquidated nor has trading ceased.

(ii) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Rates are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

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

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

As a consequence these financial statements include all the FAGs revenue for the period 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Northern Beaches Council.

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

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

User charges, fees and other Income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

The following entities have been included as part of the consolidated fund:

- General purpose operations

(ii) The trust fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (a).

The results of the associates for the financial year to 12 May 2016 have been used in determining the result for equity accounting purposes with any significant transactions which occurred between 12 May 2016 and 30 June 2016 being adjusted /excluded.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising

from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Impairment

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

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

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer

prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(h) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

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

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

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

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

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

(ii) Land held for resale/capitalisation of borrowing costs

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

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

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

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

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

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (VG/internal valuation)

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Other open space/recreational assets**
(external valuation)
- **Other assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

- **Stormwater drainage** (internal valuation)
- **Other infrastructure**
- **Roads assets including roads, bridges and footpaths**

The former Pittwater Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

Initial recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition

date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

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

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

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Capitalisation thresholds

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

Land

- Council land	100% capitalised
- Open space	100% capitalised
- Land under roads (purchases after 30/6/08)	100% capitalised

Plant and equipment

Office furniture	> \$1,000
Office equipment	> \$1,000
Other plant and equipment	> \$1,000

Buildings and land improvements

Park furniture and equipment	> \$2,000
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Building

- Construction/extensions	100% capitalised
- Renovations	> \$10,000

Other structures	> \$2,000
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Stormwater assets

Drains and culverts	> \$5,000
Other	> \$5,000

Transport assets

Road construction and reconstruction	> \$10,000
Reseal/re-sheet and major repairs	> \$10,000

Bridge construction and reconstruction	> \$10,000
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Other infrastructure assets

Swimming pools	> \$10,000
Other open space/recreational assets	> \$10,000

Other infrastructure	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	5 to 10 years
- Computer equipment	3 to 5 years
- Computer Software & Laptops	2 to 3 years
- Vehicles	5 years
- Heavy plant/road making equipment	5 to 10 years
- Other plant and equipment	5 to 10 years

Other equipment

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

Buildings

- Buildings: masonry	100 years
- Buildings: other	25 to 40 years
- Depreciable land improvements	25 to 40 years

Stormwater assets

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

Transportation assets

- Sealed roads: surface	20 to 30 years
- Sealed roads: structure	100 years
- Bridge: concrete	200 years
- Bridge: other	50 years

- Road pavements	60 years
- Kerb, gutter and footpaths	25 to 40 years

- Other road assets	25 to 40 years
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Other infrastructure assets

- Swimming pools	25 to 40 years
- Other open space/ recreational assets	25 to 40 years
- Other infrastructure	25 to 40 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Disposal and derecognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

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

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

(m) Intangible assets

In 2008/09 the former Pittwater Council paid to the former Warringah Council (as land owner) an amount of \$3,515,506 to secure its equitable share and right to participate in Kimbriki Environmental Enterprises Pty Ltd. This payment represented a guarantee of a viable tipping and recycling facility for such residents of Pittwater within close proximity, in such an enduring benefit to the community.

In addition to securing a tipping facility for residents the payment secured an equitable share of a financially viable commercial operation. As the payments reflects the rights to participate in an ongoing commercial operation the payment has been amortised over a 25 years period that reflects the term of the current contract of operation.

This asset ceased to have value on proclamation and the unamortised balance has been written off.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

At present, the accounting for such fire fighting equipment is not treated in the council financial statements. The council makes an annual contribution to the Rural fires service.

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council. Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

The last full revaluation for Council's investment properties was dated 12th May 2016.

(q) Impairment of assets

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

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

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

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

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(r) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

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

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(t) Borrowing costs

Borrowing costs are expensed / except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(u) Provisions

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

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

Provisions are not recognised for future operating losses.

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(v) Employee benefits

(i) Short-term obligations

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting

period) are recognised in the provision for employee benefits.

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

experience of employee departures and periods of service.

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/2016 and covers the period ended 30/06/2016

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 778,293.

The amount of additional contributions included in the total employer contribution advised above is \$ \$626,254.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 532,873 as at 12 May 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

(w) Self-insurance

Council does not self-insure.

(x) Goods and Services Tax (GST)

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

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

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(y) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 12 May 2016. The former Pittwater Council's assessment of the impact of the new standards and interpretations relevant to them is set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In

addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(z) Rounding of amounts

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

(aa) Comparative figures

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

(ab) Disclaimer

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	2,106	1,552	1,438	9,873	4,688	6,426	(7,767)	(3,136)	(4,988)	–	–	4,906	7,037
Administration	10,933	6,439	7,031	14,617	23,226	3,025	(3,684)	(16,787)	4,006	1,322	1,921	55,156	78,049
Public order and safety	2,962	2,730	3,126	3,531	5,565	6,285	(569)	(2,835)	(3,159)	–	1	13,881	188
Health	39	82	83	61	297	300	(22)	(215)	(217)	–	–	6,104	51
Environment	14,702	13,994	15,919	18,472	17,744	20,556	(3,770)	(3,750)	(4,637)	492	393	4,513	2,480
Community services and education	1,956	328	797	8,809	1,387	3,293	(6,853)	(1,059)	(2,496)	220	159	8,460	–
Housing and community amenities	1,421	2,761	2,829	–	6,442	5,863	1,421	(3,681)	(3,034)	76	467	77,950	32,360
Water supplies	22	27	–	51	27	20	(29)	–	(20)	–	–	–	–
Recreation and culture	5,665	9,643	6,953	4,879	7,119	14,845	786	2,524	(7,892)	49	–	544,451	496,176
Transport and communication	7,335	5,446	5,746	3,594	1,056	12,543	3,741	4,390	(6,797)	354	241	302,718	295,583
Economic affairs	8,931	7,268	5,946	4,469	7,630	4,643	4,462	(362)	1,303	–	–	23,256	12,165
Total functions and activities	56,072	50,270	49,868	68,356	75,181	77,799	(12,284)	(24,911)	(27,931)	2,513	3,182	1,041,395	924,089
Share of gains/(losses) in associates and joint ventures (using the equity method)	545	1,686	1,372	–	–	–	545	1,686	1,372	–	–	7,894	6,756
General purpose income ²	34,423	42,042	41,100	–	–	–	34,423	42,042	41,100	2,160	2,166	–	–
Operating result from continuing operations	91,040	93,998	92,340	68,356	75,181	77,799	22,684	18,817	14,541	4,673	5,348	1,049,289	930,845

1. Original Budget disclosures are not required for these financial statements.

2. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

		Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		34,857	33,833
Farmland		36	35
Business		4,233	4,159
Total ordinary rates		39,126	38,027
Special rates			
Nil			
		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		12,208	12,599
Stormwater management services		458	526
Total annual charges		12,666	13,125
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>51,792</u>	<u>51,152</u>

¹ Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

As a consequence these financial statements include all the rates revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Northern Beaches Council.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(b) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Nil		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building charges	166	185
Development applications	783	767
Inspection services	286	311
Section 149 certificates (EPA Act)	198	251
Section 603 certificates	98	117
Total fees and charges – statutory/regulatory	1,531	1,631
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Advertising fees	226	214
Beach parking	2,697	2,645
Caravan park	6,285	6,209
Cemeteries	633	774
Coastal environmental centre	152	170
Credit card recovery fee	91	94
Film permits	229	372
Golf course	1,760	1,837
Lease rentals	1,698	1,490
Leaseback fees – Council vehicles	412	441
Pittwater rugby park	292	241
Restoration charges	484	391
Road reserves	133	11
Other	603	613
Total fees and charges – other	15,695	15,502
TOTAL USER CHARGES AND FEES	17,226	17,133

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		124	144
– Interest earned on investments (interest and coupon payment income)		973	1,179
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,097</u>	<u>1,323</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		124	144
General Council cash and investments		551	653
Restricted investments/funds – external:			
Development contributions			
– Section 94		278	304
Other externally restricted assets		63	112
Restricted investments/funds – internal:			
Internally restricted assets		81	110
<u>Total interest and investment revenue recognised</u>		<u>1,097</u>	<u>1,323</u>
(d) Other revenues			
Fair value increments – investment properties	14	160	–
Fines – parking		2,359	2,941
Fines – other		16	32
Legal fees recovery – rates and charges (extra charges)		54	136
Legal fees recovery – other		52	–
Active Reserves & Lakeside Caravan Park		195	–
Animal management		11	67
Bungan Lane Carpark		61	–
Carbon Credits		265	–
Catchment Management		32	–
Collateralised Debt Obligations repayments		192	–
Commissions and agency fees		1	1
Insurance claim recoveries		204	263
Market income		88	100
Pre lodgement (planning)		72	76
Other		287	255
<u>TOTAL OTHER REVENUE</u>		<u>4,049</u>	<u>3,871</u>

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,888 ¹	1,891	–	–
Pensioners' rates subsidies – general component	272	275	–	–
Total general purpose	2,160	2,166	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	136	126	–	–
Aged care	58	58	–	–
Community centres	24	2	79	–
Environmental programs	577	306	243	435
Flood works/studies	89	178	2	1
Heritage and cultural	–	2	–	–
Library	160	158	–	–
LIRS subsidy	131	–	–	–
Palm Beach wharf	–	–	–	1,444
Street lighting	165	185	–	–
Transport (roads to recovery)	820	–	–	287
Other	29	–	–	–
Total specific purpose	2,189	1,015	324	2,167
Total grants	4,349	3,181	324	2,167
Grant revenue is attributable to:				
– Commonwealth funding	3,162	2,292	–	287
– State funding	1,159	824	–	1,852
– Other funding	28	65	324	28
	4,349	3,181	324	2,167

¹ Council has recognised 100% of the Federal Assistance Grant (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Northern Beaches Council.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	14	34	2,331	9,689
S 94 – land dedications	–	–	3	442
Total developer contributions	14	34	2,334	10,131
Other contributions:				
April 2015 storm damage	1,743	466	–	–
Community services	–	–	–	–
Currawong dedication	–	–	7,287	–
Currawong midholme	–	332	–	–
Dedications (other than by S94)	–	–	308	–
Ingleside precinct coordinator	–	115	–	–
Kerb and gutter	–	–	–	1
LIRS subsidy – Bungan Lake carpark	–	144	–	–
RMS contributions (regional roads, block grant)	103	56	1,003	531
Sports ground contributions	107	75	–	–
Other	11	8	163	–
Total other contributions	1,964	1,196	8,761	532
Total contributions	1,978	1,230	11,095	10,663
TOTAL GRANTS AND CONTRIBUTIONS	6,327	4,411	11,419	12,830

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
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(g) Restrictions relating to grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	14,043	9,944
Add: grants and contributions recognised in the current period but not yet spent:	2,874	7,282
Less: grants and contributions recognised in a previous reporting period now spent:	(1,191)	(3,183)
Net increase (decrease) in restricted assets during the period	1,683	4,099
Unexpended and held as restricted assets	15,726	14,043
Comprising:		
– Specific purpose unexpended grants	608	412
– Developer contributions	14,978	13,514
– Other contributions	140	117
	15,726	14,043

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(a) Employee benefits and on-costs		
Salaries and wages	21,159	22,831
Travel expenses	42	7
Employee leave entitlements (ELE)	2,559	2,653
Superannuation	2,565	2,827
Workers' compensation insurance	494	540
Fringe benefit tax (FBT)	228	255
Training costs (other than salaries and wages)	349	432
Other	17	22
Total employee costs	27,413	29,567
Less: capitalised costs	(712)	(989)
TOTAL EMPLOYEE COSTS EXPENSED	26,701	28,578
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016	314	302
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)	323	316
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	793	936
Total interest bearing liability costs expensed	793	936
(ii) Other borrowing costs		
Nil		
TOTAL BORROWING COSTS EXPENSED	793	936
(c) Materials and contracts		
Raw materials and consumables	2,371	3,312
Contractor and consultancy costs		
– General	13,160	20,023
– Waste	5,303	5,991
– Plant expenses	1,287	1,546
Auditors remuneration ⁽¹⁾	62	58
Legal expenses:		
– Legal expenses: planning and development	–	713
– Legal expenses: other	1,533	794
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾	540	534
– Operating lease rentals: contingent rentals ⁽²⁾	204	199
Other	988	570
Total materials and contracts	25,448	33,740
Less: capitalised costs	(6,580)	(14,098)
TOTAL MATERIALS AND CONTRACTS	18,868	19,642
(continued on the next page...)		

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The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

		Actual	Actual
		1/7/15	1/7/14
\$ '000	Notes	to 12/5/16	to 30/6/15
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		62	58
Remuneration for audit and other assurance services		62	58
Total Auditor remuneration		62	58
2. Operating lease payments are attributable to:			
Council strata levy and photocopiers		457	451
Other		287	282
		744	733

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15

(d) Depreciation, amortisation and impairment

Plant and equipment	–	–	1,241	1,297
Office equipment	–	–	576	624
Furniture and fittings	–	–	110	186
Land improvements (depreciable)	–	–	748	679
Infrastructure:				
– Buildings – non-specialised	–	–	683	1,295
– Buildings – specialised	–	–	536	182
– Other structures	–	–	270	27
– Roads	–	–	1,015	1,135
– Footpaths	–	–	126	143
– Roads retaining walls	–	–	125	144
– Kerb and guttering	–	–	338	390
– Car parks	–	–	183	133
– Other road assets	–	–	37	35
– Stormwater drainage	–	–	1,490	1,703
Other assets				
– Library books	–	–	196	209
– Other	–	–	885	651
Intangible assets	25	–	–	2,672
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	11,231
				8,974

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

	Actual	Actual
	1/7/15	1/7/14
\$ '000	Notes	to 30/6/15
	to 12/5/16	
(e) Other expenses		
Other expenses for the period include the following:		
Advertising	440	480
Bad and doubtful debts	(204)	23
Bank charges	247	226
Commissions	345	445
Consultancies	3,092	4,751
Contributions/levies to other levels of government		
– Department of Planning levy	164	157
– NSW Fire Brigade levy	1,210	1,435
– Other contributions/levies	392	456
Councillor expenses – mayoral fee	34	38
Councillor expenses – councillors’ fees	143	159
Councillors’ expenses (incl. mayor) – other (excluding fees above)	70	126
Electricity and heating	393	554
Insurance	983	1,111
Management fees	1,353	1,336
Postage	158	150
Printing and stationery	307	328
RFS contribution	333	370
Street lighting	755	875
Subscriptions and publications	376	250
Sustenance	78	125
Telephone and communications	542	407
Valuation fees	120	118
Waste disposal	5,901	6,533
Water rates	354	408
Other	490	295
Total other expenses	18,076	21,156
Less: capitalised costs	(488)	(1,487)
TOTAL OTHER EXPENSES	17,588	19,669

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 5. Gains or losses from the disposal of assets

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
Property (excl. investment property)		
Proceeds from disposal – property	310	220
Less: carrying amount of property assets sold/written off	(240)	(172)
Net gain/(loss) on disposal	70	48
Plant and equipment		
Proceeds from disposal – plant and equipment	1,058	1,013
Less: carrying amount of plant and equipment assets sold/written off	(726)	(813)
Net gain/(loss) on disposal	332	200
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets	74,000	76,750
Less: carrying amount of financial assets sold/redeemed/matured	(74,000)	(76,750)
Net gain/(loss) on disposal	–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	402	248

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,208	–	1,603	–
Cash-equivalent assets ¹					
– Deposits at call		3,300	–	3,900	–
Total cash and cash equivalents		4,508	–	5,503	–
Investments (Note 6b)					
– Long term deposits		39,500	–	30,500	–
Total investments		39,500	–	30,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		44,008	–	36,003	–

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

Investments are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		4,508	–	5,503	–
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Investments

b. 'Held to maturity'	6(b-ii)	39,500	–	30,500	–
Investments		39,500	–	30,500	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at beginning of period		30,500	–	26,500	–
Additions		83,000	–	80,750	–
Disposals (sales and redemptions)		(74,000)	–	(76,750)	–
Balance at end of period		39,500	–	30,500	–

Comprising:

– Long term deposits		39,500	–	30,500	–
Total		39,500	–	30,500	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	44,008	–	36,003	–
attributable to:				
External restrictions (refer below)	17,974	–	16,342	–
Internal restrictions (refer below)	25,092	–	11,795	–
Unrestricted	942	–	7,866	–
	44,008	–	36,003	–

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	13,514	2,623	(1,160)	14,978
RMS (formerly RTA) contributions	(B)	117	1,226	(1,203)	140
Specific purpose unexpended grants	(C)	412	196	–	608
Domestic waste management	(D)	2,249	288	(444)	2,092
Stormwater management	(D)	50	532	(426)	156
External restrictions – other		16,342	4,864	(3,233)	17,974
Total external restrictions		16,342	4,864	(3,233)	17,974

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	1,597	129	–	1,726
Carry over works	160	–	–	160
Deposits, retentions and bonds	555	102	–	657
Capital Improvements Program Loan	–	1,500	–	1,500
Caravan park capital works	13	200	(64)	149
Cemetery reserve	2,894	266	(48)	3,112
Church Point car park	976	334	–	1,310
Church Point Precinct Loan	–	6,505	–	6,505
Controlled entities	68	4	–	72
Election reserve	150	75	–	225
Environmental levy (escarpment)	175	4	–	179
Environmental infrastructure levy	339	7	–	346
General reserve	1,434	2,401	(675)	3,160
Lagoon entrance clearing	110	–	–	110
Marine infrastructure	144	128	(11)	261
Mona Vale Skate Park Loan	–	1,200	(539)	661
Narrabeen synthetic sportsfield	227	30	–	257
Outdoor seating	181	67	(79)	170
RMS contribution McCarrs Creek road	302	–	(160)	142
Road reserve	156	127	–	283
Special rates variation	1,147	4,130	(2,924)	2,353
Strategic Property Rationalisation Program	–	310	–	310
Tennis liaison trust fund	220	56	(2)	274
Other	947	563	(341)	1,169
Total internal restrictions	11,795	18,139	(4,842)	25,092
TOTAL RESTRICTIONS	28,137	23,003	(8,075)	43,065

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		9,590 ¹	918 ¹	1,251	860
Interest and extra charges		341	118	162	119
User charges and fees		1,364	–	1,231	–
Accrued revenues					
Interest on investments		208	–	170	–
Government grants and subsidies		3,721	44	1,172	52
Net GST receivable		646	–	826	–
Fines outstanding		440	232	439	231
Other debtors		71	–	193	–
Total		16,381	1,312	5,444	1,262
Less: provision for impairment					
User charges and fees		(171)	–	(49)	–
Fines outstanding		(116)	(49)	(338)	(145)
Other debtors		–	(44)	–	(52)
Total provision for impairment – receivables		(287)	(93)	(387)	(197)
TOTAL NET RECEIVABLES		16,094	1,219	5,057	1,065
Externally restricted receivables					
Domestic waste management		154	711	242	179
Stormwater management		–	–	11	8
Total external restrictions		154	711	253	187
Internally restricted receivables					
Nil					
Unrestricted receivables		15,940	508	4,804	878
TOTAL NET RECEIVABLES		16,094	1,219	5,057	1,065

¹ The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

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Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		49	–	124	–
Trading stock		56	–	1	–
Total inventories at cost		105	–	125	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>105</u>	<u>–</u>	<u>125</u>	<u>–</u>
(b) Other assets					
Prepayments		558	–	719	–
<u>TOTAL OTHER ASSETS</u>		<u>558</u>	<u>–</u>	<u>719</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period						as at 12/5/2016			
					Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Transfers and adjustments	Revaluation increments to equity (ARR)				
	At cost	At fair value	Accumulated depreciation	Carrying value							At cost	At fair value	Accumulated depreciation	Carrying value
Capital work in progress	1,776	–	–	1,776	(4,642)	6,915	–	–	(1,997)	–	2,052	–	–	2,052
Plant and equipment	–	8,511	4,053	4,458	–	2,169	(726)	(1,241)	389	–	–	10,423	5,374	5,049
Office equipment	–	8,924	7,231	1,693	–	134	–	(576)	124	–	–	9,222	7,847	1,375
Furniture and fittings	–	2,827	2,374	453	–	7	–	(110)	(151)	–	–	2,510	2,311	199
Land:														
– Operational land	–	50,438	–	50,438	–	–	(240)	–	–	–	–	50,198	–	50,198
– Community land	–	407,238	–	407,238	–	6,808	–	–	–	78,932	–	492,977	–	492,977
Land improvements – depreciable	–	17,508	7,109	10,399	728	543	–	(748)	9,590	–	–	29,037	8,525	20,512
Infrastructure:														
– Buildings – non-specialised	–	77,149	21,737	55,412	1,109	842	–	(683)	(13,519)	7,575	–	82,294	31,559	50,735
– Buildings – specialised	–	37,123	13,028	24,095	60	107	–	(536)	8,653	5,913	–	62,894	24,602	38,292
– Other structures	–	2,377	320	2,057	33	–	–	(270)	(149)	–	–	3,877	2,206	1,671
– Roads	–	131,008	30,654	100,354	1,550	–	–	(1,015)	141	–	–	132,699	31,669	101,030
– Footpaths	–	18,149	2,324	15,825	27	–	–	(126)	958	–	–	19,067	2,383	16,684
– Roads retaining walls	–	20,703	7,117	13,586	12	–	–	(125)	–	–	–	20,715	7,242	13,473
– Kerb and guttering	–	77,515	22,366	55,149	218	–	–	(338)	–	–	–	77,733	22,703	55,030
– Car parks	–	25,696	6,742	18,954	52	66	–	(183)	–	–	–	25,815	6,926	18,889
– Other road assets	–	3,290	321	2,969	389	–	–	(37)	228	–	–	4,639	1,090	3,549
– Stormwater drainage	–	140,081	40,702	99,379	464	–	–	(1,490)	323	–	–	140,924	42,248	98,676
Other assets:														
– Library books	–	2,261	1,675	586	–	198	–	(196)	–	–	–	2,459	1,871	588
– Other	–	17,520	5,733	11,787	–	119	–	(885)	(4,589)	–	–	13,332	6,900	6,432
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,776	1,048,318	173,486	876,608	–	17,908	(966)	(8,559)	1	92,420	2,052	1,180,815	205,456	977,411

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

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

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		3,651	–	6,029	–
Goods and services – capital expenditure		840	–	1,059	–
Payments received in advance		2,503	–	973	–
Accrued expenses:					
– Interest on bonds and deposits		335	–	156	–
– Salaries and wages		290	–	287	–
– Other expenditure accruals		28	–	68	–
Security bonds, deposits and retentions		657	–	555	–
Total payables		8,304	–	9,127	–
Borrowings					
Loans – secured ¹		2,820	21,025	1,488	14,174
Total borrowings		2,820	21,025	1,488	14,174
Provisions					
Employee benefits:					
Annual leave		2,187	–	2,191	–
Sick leave		232	–	229	–
Long service leave		5,106	262	5,348	195
Other leave		42	–	19	–
Total provisions		7,567	262	7,787	195
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		18,691	21,287	18,402	14,369

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

¹. Loans are secured over the general rating income of Council

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

	Actual 12/5/16	Actual 30/6/15
\$ '000		
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,708	5,920
Payables – security bonds, deposits and retentions	657	555
	6,365	6,475

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	1/7/15 to 12/5/16	Unused amounts reversed	Closing balance as at 12/5/16
				Remeasurement effects due to discounting		
Annual leave	2,191	1,733	(1,682)	(55)	–	2,187
Sick leave	229	221	(8)	(210)	–	232
Long service leave	5,543	866	(1,033)	(7)	–	5,368
Other leave (enter detai	19	172	(149)	–	–	42
TOTAL	7,982	2,991	(2,872)	(272)	–	7,829

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,508	5,503
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,508	5,503
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		18,817	14,541
Adjust for non-cash items:			
Depreciation and amortisation		11,231	8,974
Net losses/(gains) on disposal of assets		(402)	(248)
Non-cash capital grants and contributions		(7,595)	(442)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(160)	–
Share of net (profits) or losses of associates/joint ventures		(1,686)	(1,372)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(10,987)	(1,328)
Increase/(decrease) in provision for doubtful debts		(204)	(10)
Decrease/(increase) in inventories		20	(74)
Decrease/(increase) in other assets		161	(671)
Increase/(decrease) in payables		(2,378)	3,454
Increase/(decrease) in other accrued expenses payable		(37)	(36)
Increase/(decrease) in other liabilities		1,811	52
Increase/(decrease) in employee leave entitlements		(153)	139
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,438	22,979
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		–	442
Other dedications		7,595	–
Total non-cash investing and financing activities		7,595	442
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		20	20
Total financing arrangements		520	520

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Skate Park Mona Vale		1,011	–
Church Point Carpark		10,095	–
Total commitments		11,106	–
These expenditures are payable as follows:			
Within the next year		11,106	–
Total payable		11,106	–
Sources for funding of capital commitments:			
Unrestricted general funds		11,106	–
Total sources of funding		11,106	–

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	20	45
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
Total non-cancellable operating lease commitments	20	45

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

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

Conditions relating to operating leases:

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

(d) Investment property commitments

Nil

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5,150	6.41%	0.12%	0.35%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	80,331			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	74,004	80.66%	81.00%	91.24%
Total continuing operating revenue ⁽¹⁾	91,750			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	42,637	3.46x	2.12x	2.31x
Current liabilities less specific purpose liabilities ^(3, 4)	12,326			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	17,174	9.49x	4.51x	4.55x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,810			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding ⁽⁵⁾	10,967	20.17%	4.45%	4.54%
Rates, annual and extra charges collectible ⁽⁵⁾	54,362			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	44,008	7.35 mths	5.9 mths	5.3 mths
Payments from cash flow of operating and financing activities	5,991			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

⁽⁵⁾ Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016

No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

<div><div>1. Operating performance ratio</div><div><table><thead><tr><th>Year</th><th>Ratio %</th></tr></thead><tbody><tr><td>2013</td><td>1.42%</td></tr><tr><td>2014</td><td>0.35%</td></tr><tr><td>2015</td><td>0.12%</td></tr><tr><td>2016</td><td>6.41%</td></tr></tbody></table></div><div>Benchmark: Minimum $\geq 0.00\%$</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio %	2013	1.42%	2014	0.35%	2015	0.12%	2016	6.41%	<div><div>Purpose of operating performance ratio</div><div>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</div></div>	<div><div>Commentary on 12/5/16 result</div><div>12/5/16 ratio 6.41%</div><div>The increase in the Operating Performance ratio was due to the significant one off income associated with April 2015 storm event. Storm clean up costs amounted to approx \$2.4m which occurred in prior years (2014-15) though full recognition of potential State Govt income is shown in this financial year</div></div>
Year	Ratio %											
2013	1.42%											
2014	0.35%											
2015	0.12%											
2016	6.41%											
<div><div>2. Own source operating revenue ratio</div><div><table><thead><tr><th>Year</th><th>Ratio %</th></tr></thead><tbody><tr><td>2013</td><td>79%</td></tr><tr><td>2014</td><td>91%</td></tr><tr><td>2015</td><td>81%</td></tr><tr><td>2016</td><td>81%</td></tr></tbody></table></div><div>Benchmark: Minimum $\geq 60.00\%$</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio %	2013	79%	2014	91%	2015	81%	2016	81%	<div><div>Purpose of own source operating revenue ratio</div><div>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</div></div>	<div><div>Commentary on 12/5/16 result</div><div>12/5/16 ratio 80.66%</div><div>Council's Own Source Operating Revenue Ratio remains strong.</div></div>
Year	Ratio %											
2013	79%											
2014	91%											
2015	81%											
2016	81%											
<div><div>3. Unrestricted current ratio</div><div><table><thead><tr><th>Year</th><th>Ratio (x)</th></tr></thead><tbody><tr><td>2013</td><td>3.2</td></tr><tr><td>2014</td><td>2.3</td></tr><tr><td>2015</td><td>2.1</td></tr><tr><td>2016</td><td>3.5</td></tr></tbody></table></div><div>Benchmark: Minimum ≥ 1.50</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio (x)	2013	3.2	2014	2.3	2015	2.1	2016	3.5	<div><div>Purpose of unrestricted current ratio</div><div>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</div></div>	<div><div>Commentary on 12/5/16 result</div><div>12/5/16 ratio 3.46x</div><div>Council's ratio of 3.46 reflects that for every \$1 of current liabilities Council has \$3.46 of unrestricted current assets to service the liabilities. The increase in the ratio from 2014/15 is mainly attributed to a increase in current assets due to rates income recognised for the period 1 July 2015 to 30 June 2016</div></div>
Year	Ratio (x)											
2013	3.2											
2014	2.3											
2015	2.1											
2016	3.5											

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 12/5/16 result</p> <p>12/5/16 ratio 9.49x</p> <p>Council's ratio of 9.49 demonstrates the organisations ability to generate significant cash to cover debt obligation and is well within the NSW Treasury benchmark of greater than 2.00. The increase in the ratio from 2014/15 is mainly attributed to a increase in the operating result mainly due to rates income recognised for the period 1 July 2015 to 30 June 2016</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 12/5/16 result</p> <p>12/5/16 ratio 20.17%</p> <p>Council's Ratio of 20.17% indicates the percentage of rates and annual charges outstanding at 12/5/2016. The final installment of rates payments was due on 31/5/16 will fell after the close of the Financial Year.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 12/5/16 result</p> <p>12/5/16 ratio 7.35 mths</p> <p>Council's Cash Expense Ratio reflects the ability in months to continue to pay immediate expenses without any additional cash inflow. At 7.35 (months) this ratio is an improvement from 2014/15 and is in excess of NSW Treasury's benchmark of 3.00 months.</p>

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>2,000</u>	<u>1,840</u>
Reconciliation of annual movement:			
Opening balance		1,840	1,840
– Net gain/(loss) from fair value adjustments		160	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>2,000</u>	<u>1,840</u>

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2016 revaluations were based on independent assessments made by:
Scott Fullarton Valuations Pty Ltd, Sydney

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Investment property income and expenditure – summary

Direct operating expenses on investment properties:			
– that did not generate rental income		(38)	(31)
Net revenue contribution from investment properties		(38)	(31)
plus:			
Fair value movement for period		160	–
Total income attributable to investment properties		<u>122</u>	<u>(31)</u>

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	4,508	5,503	1,208	5,503
Investments				
– 'Held to maturity'	39,500	30,500	42,800	30,500
Receivables	17,313	6,122	9,744	6,111
Total financial assets	61,321	42,125	53,752	42,114
Financial liabilities				
Payables	5,801	8,154	5,801	8,126
Loans/advances	23,845	15,662	23,845	15,662
Total financial liabilities	29,646	23,816	29,646	23,788

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 1% movement in interest rates	440	440	(440)	(440)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	360	360	(360)	(360)

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		100%	100%	100%	100%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	7,208	4,377	–	1,557
< 1 year overdue	0 – 30 days overdue	1,985	828	26	1,389
1 – 2 years overdue	30 – 60 days overdue	1,315	937	26	372
2 – 5 years overdue	60 – 90 days overdue	–	263	1,080	887
> 5 years overdue	> 90 days overdue	–	780	979	390
		10,508	7,185	2,111	4,595
(iii) Movement in provision for impairment of receivables					
				12/5/16	30/6/15
Balance at the beginning of the period				584	594
+ new provisions recognised during the period				–	4
– amounts provided for but recovered during the period				(204)	(14)
Balance at the end of the period				380	584

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	657	5,144	–	–	–	–	–	5,801	5,801
Loans and advances	–	4,290	3,517	3,517	3,224	3,224	6,073	23,845	23,845
Total financial liabilities	657	9,434	3,517	3,517	3,224	3,224	6,073	29,646	29,646
1/7/14 to 30/6/15									
Trade/other payables	555	7,599	–	–	–	–	–	8,154	8,154
Loans and advances	–	1,487	1,575	1,538	1,635	1,436	7,991	15,662	15,662
Total financial liabilities	555	9,086	1,575	1,538	1,635	1,436	7,991	23,816	23,816

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

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

	12/5/16 Carrying value	12/5/16 Average interest rate	30/6/15 Carrying value	30/6/15 Average interest rate
Trade/other payables	5,801	1.75%	8,154	3.54%
Loans and advances – fixed interest rate	23,845	5.54%	15,662	6.04%
	<u>29,646</u>		<u>23,816</u>	

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 15 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the reporting period.

This note sets out the details of **material variations** between Council's original budget and its actual results for the period as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

1/7/15 to 12/5/16					
\$ '000	Budget	Actual	Variance*		
REVENUES					
Rates and annual charges	51,683	51,792	109	0%	F
User charges and fees	15,405	17,226	1,821	12%	F
The favourable variance is mainly associated with an increase in Beach Parking of \$175,000, additional Advertising Fees of \$87,000, Caravan Park Income of \$297,000, Lease Rentals Income of \$199,000, Development applications of \$170,000, Inspection Fee's of \$92,000, Cemetery Income of \$139,000, Restorations Income of \$314,000 and other activities of \$348,000					
Interest and investment revenue	1,114	1,097	(17)	(2%)	U
Other revenues	3,233	4,049	816	25%	F
The favourable variance is mainly associated with an increase in Legal Recovery of \$67,000, Insurance recovery of \$70,000, CDO's Claim of \$191,000, Carbon Refund of \$242,000, Fair value increments investment property of \$160,000 and other Income of \$86,000					
Operating grants and contributions	3,146	6,327	3,181	101%	F
The favourable variance is mainly associated with additional Storm Claim (April 2015) \$1,743M not budgeted, Roads to Recovery Funding not budgeted as operating of \$820,000, grants associated with environment programs of \$381,000 and the Financial Assistance grant of \$237,000					
Capital grants and contributions	15,767	11,419	(4,348)	(28%)	U
The unfavourable variance is mainly associated with a reduction of Developer Contributions of \$10.634M, Partially offset by Currawong dedication/revaluation of \$7.287M (not budgeted) and a reduction of \$1,001M in Better boating Grant funding					
Net gains from disposal of assets	147	402	255	173%	F
The favourable variance is mainly associated with additional profit from the sale of Council plant and equipment					
Joint ventures and associates - net profits	545	1,686	1,141	209%	F
The favourable variance is mainly attributable to better than expected profits made by the Kimbriki Environmental Services (of which Council has a 34.5% share) contributing to the increase in associated share of profit for the year					

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 16. Material budget variations (continued)

1/7/15 to 12/5/16					
\$ '000	Budget	Actual	----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	26,902	26,701	201	1%	F
Borrowing costs	916	793	123	13%	F
The favourable variance is mainly associated with the timing of loan borrowings and reduced interest rates					
Materials and contracts	14,361	18,868	(4,507)	(31%)	U
The unfavourable variance is mainly associated with the increase of legal expenses of \$803,000, Tree works of \$223,000, sports grounds maintenance of \$149,000, lifeguard of \$126,000, restoration work of \$315,000, Landscape/Reserves/Streetsweeping of \$393,000, storm works of \$205,000, bushland management/Natural Hazards of \$608,000, Plant/IT maintenance of \$166,000 and raw materials/stores of \$620,000 and other maintenance of \$899,000					
Depreciation and amortisation	7,923	11,231	(3,308)	(42%)	U
The unfavourable variance is mainly due to depreciation adjustments in Land improvement and other asset classes attributed to prior years and the write off of unamortised balance of intangible assets on proclamation					
Other expenses	18,254	17,588	666	4%	F

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

Cash flows from operating activities	28,352	8,438	(19,914)	(70.2%)	U
The unfavourable variance is mainly associated with a decrease of developer contributions of \$10.8M, partially offset by other income associated with April 2015 Storm income, Additional CDO Income & Carbon Rebate					
Cash flows from investing activities	(22,449)	(17,616)	4,833	(21.5%)	F
The unfavourable variance is mainly associated with timing issues related to the Sale/Purchase of Investment securities of \$9M offset by a reduction in the purchase on infrastructure, Property, Plant & Equipment of \$5.225M associated with a reduction in capital works and other plant purchases					
Cash flows from financing activities	7,289	8,183	894	12.3%	F
The favourable variance is mainly associated with the timing of loan repayments and lower interest rates					

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,209	158	–	65	–	–	3,432	–
Roads	2,257	314	3	45	(143)	–	2,473	–
Parking	1	–	–	–	–	–	1	–
Open space	1,339	970	–	30	(395)	–	1,944	–
Community facilities	6,991	527	–	143	(271)	(20)	7,368	–
Other	(282)	376	–	(5)	(330)	–	(241)	–
S94 contributions – under a plan	13,514	2,345	3	278	(1,140)	(20)	14,978	–
Total S94 revenue under plans	13,514	2,345	3	278	(1,140)	(20)	14,978	–
Total contributions	13,514	2,345	3	278	(1,140)	(20)	14,978	–

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2 - OPEN SPACE, BUSHLAND AND RECREATION

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	310	639	–	10	(97)	–	863	–
Total	310	639	–	10	(97)	–	863	–

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 3 - PUBLIC LIBRARY SERVICES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	266	142	–	6	(100)	–	313	–
Total	266	142	–	6	(100)	–	313	–

CONTRIBUTION PLAN NUMBER 4 to 10 & 15 - WARRIEWOOD VALLEY and MATERIAL PUBLIC WORKS

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,209	158	–	65	–	–	3,432	–
Roads	2,257	314	3	45	(143)	–	2,473	–
Open space	1,029	331	–	20	(298)	–	1,082	–
Community facilities	6,725	136	–	135	(25)	–	6,971	–
Other	(515)	21	–	(10)	(16)	–	(520)	–
Total	12,704	961	3	255	(482)	–	13,438	–

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 14 - NEWPORT CAR PARK

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	1	–	–	–	–	–	1	–
Open space	–	–	–	0	–	–	0	–
Total	1	–	–	0	–	–	1	–

CONTRIBUTION PLAN NUMBER 18 - COMMUNITY SERVICE FACILITIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	–	249	–	2	(147)	(20)	84	–
Total	–	249	–	2	(147)	(20)	84	–

CONTRIBUTION PLAN NUMBER 19 - VILLAGE STREETSCAPE

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	233	355	–	5	(314)	–	279	–
Total	233	355	–	5	(314)	–	279	–

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

Storm Damage Assistance April 2015

The Council has not recorded a contingency income of \$1.743 million in the accounts being the state government subsidy to cover the storm damages occurred in April 2015. The state government authorised that all work to be completed within 3 weeks to qualify for the payment, however with the extent damage the council had requested an extension till the 30th of June 2015. The council has expensed the total of 462k covering for the 3 week period which is recognised in the 2014-15 accounts. The council expects that all work done relates to the storm damage and will be pursuing with state government to recover the balance as the work has been carried out by the council and will be treating this income a significant adjustment to the accounts in the event of receiving the subsidy. The amount of \$ 1.743 Million will be treated as a contingent asset.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Joint ventures and associates

Note 19(a)

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

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

Accounting recognition:

(ii) Joint ventures and associates as per Note 19(a) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Associates	1,686	1,372	7,894	6,756
Total	1,686	1,372	7,894	6,756

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	12/5/16	30/6/15
Kimbriki Environmental Enterprises P/L	Associate	Equity	7,894	6,756
Total carrying amounts – material joint ventures and associates			7,894	6,756

(b) Details

Name of entity	Principal activity
Kimbriki Environmental Enterprises P/L	Recycling

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
Kimbriki Environmental Enterprises P/L	34%	34%	34%	34%	34%	34%

(d) Summarised financial information for joint ventures and associates

	Kimbriki Environmental Enterprises P/L	
	12/5/16	30/6/15
Statement of financial position		
Current assets		
Cash and cash equivalents	2,560	4,403
Other current assets	19,928	17,258
Total current assets	22,488	21,661
Non-current assets	11,625	7,737
Current liabilities		
Other current liabilities	7,164	5,307
Total current liabilities	7,164	5,307
Non-current liabilities	4,037	4,480
Net assets	22,912	19,611
Reconciliation of the carrying amount		
Opening net assets (1 July)	19,611	16,432
Profit/(loss) for the period	4,894	3,983
Dividends paid	(1,593)	(804)
Closing net assets	22,912	19,611
Council's share of net assets (%)	34.5%	34.5%
Council's share of net assets (\$)	7,894	6,756

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Joint ventures and associates

(d) Summarised financial information for joint ventures and associates (continued)

	Kimbriki Environmental Enterprises P/L	
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Statement of comprehensive income		
Income	32,214	31,584
Interest income	343	406
Depreciation and amortisation	(440)	(458)
Other expenses	(27,224)	(27,549)
Profit/(loss) from continuing operations	4,893	3,983
Profit/(loss) for period	4,893	3,983
Total comprehensive income	4,893	3,983
Share of income – Council (%)	34.5%	34.5%
Profit/(loss) – Council (\$)	1,686	1,372
Total comprehensive income – Council (\$)	1,686	1,372
Dividends received by Council	548	277

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		848,046	1,015,210
a. Changes in accounting policies (prior period effects)	20 (d)	—	(176,950)
b. Net operating result for the period		18,817	14,541
Balance at end of the reporting period		866,863	848,046
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		142,448	50,028
Total		142,448	50,028
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		50,028	50,482
– Revaluations for the period	9(a)	92,420	—
– Adjustment to revaluation reserve (Revaluation of one of the operational land parcels was adjusted to reflect the correct value)		—	(454)
– Balance at end of period		142,448	50,028
TOTAL VALUE OF RESERVES		142,448	50,028

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
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(c) Correction of error/s relating to a previous reporting period

Correction of errors disclosed in this period's financial statements:

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/15 to reflect the correct value of accumulated depreciation;

Land Improvements asset class increase to accumulated depreciation	—	(2,513)
Non Specialised Buildings asset class increase to accumulated depreciation	—	(2)
Other asset class increase to accumulated depreciation	—	(2,240)

This adjustment resulted in net decrease in Council's accumulated surplus as at 30/6/15.

These amounted to the following equity adjustments:

– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)	—	—
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	—	(4,755)
Total prior period adjustments – prior period errors	—	(4,755)

(d) Voluntary changes in accounting policies

Community land Revaluation

Valuations are now based upon Valuer General valuations which were previously based upon external market Valuation

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	—	(176,950)
Total prior period adjustments – accounting policy changes	—	(176,950)

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

\$ '000

Council does not have any Water or Sewer Funds.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after reporting date

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the former Pittwater Council's operations would be amalgamated with Manly and Warringah Councils into a new Northern Beaches Council. The proclamation automatically transfers the assets, rights and liabilities of the former Pittwater Council to the Northern Beaches council on 13 May 2016. The proclamation ensures that any reference in any document to the former Pittwater Council is to be read as a reference to Northern Beaches Council, and that anything done by the former Pittwater Council before the amalgamation is taken to have been done by Northern Beaches Council. These clauses provide for the transfer of physical assets (such as cars, buildings plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts). This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position at 12 May 2016 and the financial performance for the period 1 July 2015 to 12 May 2016.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 25. Intangible assets

	Actual 12/5/16	Actual 30/6/15
\$ '000		
Intangible assets represent identifiable non-monetary assets without physical substance.		
Opening values:		
Gross book value (1/7)	3,515	3,515
Accumulated amortisation (1/7)	(843)	(702)
Net book value – opening balance	2,672	2,813
Movements for the period		
– Amortisation charges	(122)	(141)
– Write off of unamortised balance at proclamation date	(2,550)	–
Closing values:		
Gross book value (12/5/16)	3,515	3,515
Accumulated amortisation (12/5/16)	(3,515)	(843)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>–</u>	<u>2,672</u>

¹ **The net book value of intangible assets represent:**

– Right to participate in Kimbriki Environmental Enterprises P/L	–	2,672
	<u>–</u>	<u>2,672</u>

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
1/7/15 to 12/5/16					
Recurring fair value measurements					
Investment properties					
Unit 9 Vuko Place Warriewood	12/05/16	–	–	2,000	2,000
Total investment properties		–	–	2,000	2,000
Infrastructure, property, plant and equipment					
Plant & Equipment		–	–	5,049	5,049
Office Equipment		–	–	1,375	1,375
Furniture Fittings		–	–	199	199
Operational Land		–	–	50,198	50,198
Community Land	12/05/16	–	–	492,977	492,977
Land Improvements		–	–	20,512	20,512
Building Specialised		–	–	50,735	50,735
Building Non-Specialised		–	–	38,292	38,292
Other Structures		–	–	1,671	1,671
Roads		–	–	101,030	101,030
Footpaths		–	–	16,684	16,684
Roads - Retaining Walls		–	–	13,473	13,473
Kerb & Guttering		–	–	55,030	55,030
Car Parks		–	–	18,889	18,889
Other Infrastructure		–	–	3,549	3,549
Storm Water		–	–	98,676	98,676
Library Books		–	–	588	588
Other		–	–	6,432	6,432
Total infrastructure, property, plant and equipment		–	–	975,359	975,359

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/14 to 30/6/15		Fair value measurement hierarchy			Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Unit 9 Vuko Place Warriewood	30/06/15	—	—	1,840	1,840
Total investment properties		—	—	1,840	1,840
Infrastructure, property, plant and equipment					
Plant & Equipment		—	—	4,821	4,821
Office Equipment		—	—	1,757	1,757
Furniture Fittings		—	—	295	295
Operational Land		—	—	50,438	50,438
Community Land		—	—	486,169	486,169
Land Improvements		—	—	20,037	20,037
Building Specialised		—	—	32,674	32,674
Building Non-Specialised		—	—	41,868	41,868
Other Structures		—	—	1,908	1,908
Roads		—	—	100,355	100,355
Footpaths		—	—	15,601	15,601
Roads - Retaining Walls		—	—	13,586	13,586
Kerb & Guttering		—	—	55,150	55,150
Car Parks		—	—	18,954	18,954
Other Infrastructure		—	—	3,185	3,185
Storm Water		—	—	99,671	99,671
Library Books		—	—	586	586
Other		—	—	6,775	6,775
Total infrastructure, property, plant and equipment		—	—	953,830	953,830

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

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

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

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

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

Property, Plant & Equipment, Furniture & Fittings

Council's Plant & Equipment, Furniture Fittings incorporates

- Major plants Truck , tractors, street sweepers
- Fleet Vehicles Cars, vans, utes etc.
- Minor Plant Chainsaws, brush cutters, mowers, concrete mixers.
- Furniture & Fittings Desks, chairs, display systems
- Office Equipment: Computers, monitors, PABX, Projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life
- Asset Condition
- Residual Value
- Gross replacement cost.

There has been no change to the valuation process during the reporting period.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Library Books

Council's Library Books: Books, Publication Reference Materials CD's & DVD's

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life
- Asset Condition
- Residual Value
- Gross replacement cost.

There has been no change to the valuation process during the reporting period.

Investment Properties

Pittwater Council currently holds one investment property at 9 Vuko Place, Warriewood

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflects the most up to date valuation.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Expected future rental income generated from the property based on a discounted cash flow.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs and minimising unobservable inputs namely Level 3 inputs (based on the per square metres).

The income approach is used to value the investment properties. It was valued on the 12th of May 2016 by Scott Fullerton FAPI, Certified Practicing Valuer, and Registered Valuer No 2144.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Infrastructure, Property, Plant & Equipment

Infrastructure – Roads

This asset class comprises the Road Carriageway, Bus Shelters, Car parks, Guardrails, Kerb and Guttering, Retaining walls, Suburb Markers, and Traffic Facilities

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's pavement Management System (PMS) contains detailed dimensions and specification for all Council roads. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations carried out in 2015 utilising the in house SMEG Asset management system for detailed pavement information residing in Council's Pavement Management System -

Council fair values, road infrastructure assets using, Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System.

The level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Works Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life and residual value
- Asset Condition
- Remaining Life of Carriageway
- Gross replacement cost.

The 'Cost Approach' is used to value roads assets. There were no changes in valuation technique from prior year.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Infrastructure – Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed.

Council Pavement Management Systems (PMS) contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths, (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Remaining useful life
- Gross replacement cost.

The 'Cost Approach' is used to value footpaths... There has been no change to the valuation during the reporting period.

Infrastructure – Roads Retaining Walls

Retaining walls are structures designed to restrain soil to unnatural slopes. They are used to bound soils between two different elevations often in areas of terrain possessing undesirable slopes or in areas where the landscape needs to be shaped severely and engineered for more specific purposes like roadway and overpasses.

Council fair values, retaining walls (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

The 'Cost Approach' is used to value retaining walls. There has been no change to the valuation during the reporting period.

Infrastructure – Kerb & Guttering

Kerb & Guttering (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The 'Cost Approach' is used to value kerb & guttering. The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2), other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the Council fair values.

There has been no change to the valuation during the reporting period.

Infrastructure – Car Park

Council Car Parks (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

The 'Cost Approach' is used to value car park... The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation during the reporting period.

Infrastructure – Other infrastructure

Other infrastructure comprises: Traffic islands, Refuge Islands, Bus Shelters etc.

Council other infrastructure (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The 'Cost Approach' is used to value other infrastructure assets. . The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation during the reporting period.

Infrastructure – Stormwater Drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and various type of water quality device used to collect, store and remove stormwater.

Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost.

The 'Cost Approach' is used to value drainage assets... There has been no change to the valuation during the reporting period.

Property – Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2012) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal

The unobservable Level 3 inputs used include:

- Rate per square Metre
- Description of Land

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period

Property – Community Land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to Community Land the Division of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group; the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using Level 3 inputs based on inputs on either the UCV(Unimproved Capital Value) provided by the valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Market Approach' is used to value Community land. There has been no change to the valuation process during the reporting period

Land Improvements

Council's Land improvements incorporates: Land reserves, Wetlands, Gardens, Major Earthworks, Grass/turf mulch

Council carries fair values of land reserves using level 3 inputs.

The unobservable Level 3 inputs used include:

- Gross replacement cost
- Asset Condition
- Residual value
- Remaining useful life

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Property- Buildings (Specialised and non-Specialised)

Council Buildings incorporates Libraries, Public Amenities, Sporting Club Houses, Kiosks and Amenities, Depot Buildings and workshops, Community Centres, Rural Fire Service Buildings and the Council Tourist Caravan Park.

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer, Scott Fullerton using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit although rates based on square meters could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been increase in the value on valuation done by external valuer, Scott Fullerton FAPI, Certified Practising Valuer, and Registered Valuer No 2144. as at 12th may 2016 process during the reporting period.

Other Structures:

Council's other structures incorporates the following classes of assets;

- Significant single assets such as playgrounds, floodlighting system irrigation Systems, rock pools, sea walls, tennis courts, tennis shelters, artificial turf playing surfaces etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council Staff or by an external valuer depending on the structure.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Residual value

The “Cost Approach” is used to value other structures. There has been no change to the valuation process during the reporting period

Other Assets:

Council’s Other Assets comprises bush reserves, solar panel systems, irrigation systems, accessible shelters signage etc. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Asset Condition
- Residual value
- Useful life

The Cost Approach is used to value other assets. There has been no change to the valuation process during the reporting period

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Land improve- ments	Buildings non- specialised	Total
Opening balance – 1/7/14	51,064	583,746	13,023	52,209	700,042
Purchases (GBV)	–	–	568	4,500	5,068
Disposals (WDV)	(172)	442	–	–	270
Depreciation and impairment	–	–	(679)	(1,295)	(1,974)
Revaluation decrease	(454)	(98,019)	–	–	(98,473)
Transfers between asset categories	–	–	–	(13,546)	(13,546)
Closing balance – 30/6/15	50,438	486,169	12,912	41,868	591,387
Transfers from/(to) another asset class	–	–	7,126	–	7,126
Purchases (GBV)	–	6,808	923	1,976	9,707
Disposals (WDV)	(240)	–	–	–	(240)
Depreciation and impairment	–	–	(449)	(683)	(1,132)
Revaluation increase	–	–	–	7,574	7,574
Closing balance – 12/5/16	50,198	492,977	20,512	50,735	614,422

	Buildings specialised	Structures	Roads	Footpaths	Total
Opening balance – 1/7/14	24,211	2,084	97,730	14,615	138,640
Transfers from/(to) another asset class	8,579	–	–	–	8,579
Purchases (GBV)	66	–	3,760	1,352	5,178
Depreciation and impairment	(182)	(27)	(1,136)	(142)	(1,487)
Closing balance – 30/6/15	32,674	2,057	100,354	15,825	150,910
Transfers from/(to) another asset class	–	(149)	1	(224)	(372)
Purchases (GBV)	239	33	1,690	1,209	3,171
Depreciation and impairment	(536)	(270)	(1,015)	(126)	(1,947)
Revaluation increase	5,915	–	–	–	5,915
Closing balance – 12/5/16	38,292	1,671	101,030	16,684	157,677

The former Pittwater Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Roads retaining walls	Kerb and guttering	Car parks	Other infra- structure	Total
Opening balance – 1/7/14	13,730	55,539	11,241	3,004	83,514
Purchases (GBV)	–	–	7,846	–	7,846
Depreciation and impairment	(144)	(390)	(133)	(35)	(702)
Closing balance – 30/6/15	13,586	55,149	18,954	2,969	90,658
Transfers from/(to) another asset class	–	1	–	216	217
Purchases (GBV)	12	218	119	401	750
Depreciation and impairment	(125)	(338)	(183)	(37)	(683)
Closing balance – 12/5/16	13,473	55,030	18,890	3,549	90,942

	Plant and equipment	Storm water drainage	Other assets and library books & WIP	Investment property	Total
Opening balance – 1/7/14	7,304	99,683	13,251	1,840	122,078
Purchases (GBV)	2,229	1,399	2,222	–	5,850
Disposals (WDV)	(813)	–	–	–	(813)
Depreciation and impairment	(2,116)	(1,703)	(860)	–	(4,679)
Closing balance – 30/6/15	6,604	99,379	14,613	1,840	122,436
Transfers from/(to) another asset class	336	292	(7,252)	–	(6,624)
Purchases (GBV)	2,335	495	2,710	–	5,540
Disposals (WDV)	(726)	–	–	–	(726)
Depreciation and impairment	(1,927)	(1,490)	(999)	–	(4,416)
FV gains – Income Statement	–	–	–	160	160
Closing balance – 12/5/16	6,622	98,676	9,072	2,000	116,370

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

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

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

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

Investment properties

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Investment Property	2,000	Level 3	Income Per Square Metre Rent Yield

I,PP&E

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	5,049	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value
Office Equipment	1,375	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value
Furniture & Fittings	199	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Library Books	588	Level 3	Gross Replacement Cost Asset condition Remaining useful life of asset Residual value
Operational Land	50,198	Level 3	Price per square metre
Community Land	492,977	Level 3	Average Unit rate based on Unimproved capital value (UCV) per square metre
Land Improvements	20,512	Level 3	Gross Replacement Cost Remaining useful life Residual value Asset Condition
Buildings Specialised	38,292	Level 3	Gross Replacement Cost Condition Remaining Useful Life of asset Residual Value
Building non Specialised	50,735	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Other Structures	1,671	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Roads	101,030	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Footpaths	16,684	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Retaining Walls	13,473	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Kerb & Guttering	55,030	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Car Parks	18,889	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Other infrastructure Assets	3,549	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Stormwater Drainage	98,676	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value
Other Assets	6,432	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

c. The valuation process for level 3 fair value measurements

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following hierarchy;

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 – Unobservable inputs for asset or liability

Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

‘Cost Approach’: A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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

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

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

Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below;

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

(6). Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of hierarchy

(7). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use was established in consideration the criteria of physical possibility, legal permissibility, financial feasibility and maximum profitability. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals.

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	12/5/16	30/6/15	30/6/14	30/06/13	30/06/12
Inflows:					
Rates and annual charges revenue	51,792	51,152	49,070	46,451	43,568
User charges revenue	17,226	17,133	15,613	14,782	13,813
Interest and investment revenue (losses)	1,097	1,323	1,508	1,867	1,911
Grants income – operating and capital	4,673	5,348	4,092	5,132	5,624
Total income from continuing operations	93,998	92,340	77,221	85,574	78,583
Sale proceeds from I,PP&E	1,368	1,233	1,297	1,791	1,190
New loan borrowings and advances	9,200	1,650	3,000	6,500	2,400
Outflows:					
Employee benefits and on-cost expenses	26,701	28,578	28,020	27,177	26,171
Borrowing costs	793	936	868	683	487
Materials and contracts expenses	18,868	19,642	17,127	15,911	16,501
Total expenses from continuing operations	75,181	77,799	72,476	69,551	68,038
Total cash purchases of I,PP&E	10,532	20,174	21,417	17,498	14,441
Total loan repayments (incl. finance leases)	1,017	1,283	1,335	985	881
Operating surplus/(deficit) (excl. capital income)	7,398	1,711	872	2,407	1,106
Financial position figures	12/5/16	30/6/15	30/6/14	30/06/13	30/06/12
Current assets	60,765	41,904	35,227	40,300	38,735
Current liabilities	18,691	18,402	15,244	14,354	14,725
Net current assets	42,074	23,502	19,983	25,946	24,010
Available working capital (Unrestricted net current assets)	9,899	4,942	4,978	4,834	4,169
Cash and investments – unrestricted	942	7,866	7,086	5,568	6,562
Cash and investments – internal restrictions	25,092	11,795	11,456	16,586	13,079
Cash and investments – total	44,008	36,003	31,321	35,585	34,222
Total borrowings outstanding (Loans, advances and finance leases)	23,845	15,662	15,295	13,630	8,115
Total value of I,PP&E (excl. land and earthworks)	639,692	592,418	575,865	554,488	528,724
Total accumulated depreciation	205,456	173,486	162,050	153,608	146,745
Indicative remaining useful life (as a % of GBV)	68%	71%	72%	72%	72%

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

The former Pittwater Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 29. Council information and contact details

Principal place of business:

Unit 13, 5 Vuko Place
Warriewood NSW 2102

Contact details**Mailing address:**

PO Box 882
Mona Vale NSW 1660

Opening hours:

Monday to Thursdays from 8:00am to 5:30 pm
Friday from 8:00 am to 5:00 pm
Closed on Weekends and public holidays

Telephone: 02 9970 1111

Facsimile: 02 9970 7150

Internet: www.pittwater.nsw.gov.au

Email: pittwater_council@pittwater.nsw.gov.au

Officers**INTERIM GENERAL MANAGER**

Mark Ferguson

Members**ADMINISTRATOR**

Dick Persson

RESPONSIBLE ACCOUNTING OFFICER

David Walsh

AUDITORS

Hill Rogers
Level 5 Chifley Square
Sydney NSW 2000

Other information

ABN: 61 340 837 871



NORTHERN BEACHES COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of the former Pittwater Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by the Council and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at period end or from time to time during the period.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

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

Assurance Partners

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS



GARY MOTTAU
Partner

Dated at Sydney this 23rd day of November 2016



23 November 2016

The Administrator
Northern Beaches Council
5 Vuko Place
WARRIEWOOD NSW 2102

Administrator,

Audit Report - Period Ended 12 May 2016

We are pleased to advise completion of the audit of the former Pittwater Council's books and records for the period ended 12 May 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting, and Office of Local Government pronouncements up to the date of this report.

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;

1. RESULTS FOR THE PERIOD

1.1 *Operating Result*

The operating result for the period was a surplus of \$18.817 million as compared with \$14.541 million in the previous year.

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

Assurance Partners

Practising as Hill Rogers Assurance Partners | ABN 56 435 338 966
Member of Morison KSi, an association of global independent accounting firms. Liability limited by a scheme approved under Professional Standards Legislation.

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	51,792	63%	51,152	64%	640
User charges, fees & other revenues	23,363	28%	22,624	28%	739
Grants & contributions provided for operating purposes	6,327	8%	4,411	6%	1,916
Interest & investment revenue	1,097	1%	1,323	2%	(226)
	82,579	100%	79,510	100%	3,069
Expenses					
Employee benefits & costs	26,701	36%	28,578	37%	(1,877)
Materials, contracts & other expenses	36,456	48%	39,311	51%	(2,855)
Depreciation, amortisation & impairment	11,231	15%	8,974	12%	2,257
Borrowing costs	793	1%	936	1%	(143)
	75,181	100%	77,799	100%	(2,618)
Surplus (Deficit) before capital items	7,398		1,711		5,687
Grants & contributions provided for capital purposes	11,419		12,830		(1,411)
Net Surplus (Deficit) for the period	18,817		14,541		4,276
Performance Measures	2016		2015		
Operating Performance	6.41%		0.12%		
Own Source Operating Revenue	80.66%		81.00%		

The above table shows an overall increase of \$4.276 million from the previous year and is primarily due to recognising expenses for a 45 week period compared with an annual comparative period.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 6.41% and exceeded the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 80.66% and exceeded the benchmark of 60%.

1.2 Funding Result

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

Funds were provided by:-

Operating Result (as above)

Add back non funding items:-

- Depreciation, amortisation & impairment
- Book value of non-current assets sold
- Non-cash contributions of assets acquired
- (Gain)/Loss of fair value to investment properties
- (Surplus)/Deficit in joint ventures

New loan borrowings

Distributions from joint ventures

Net Changes in current/non-current assets & liabilities

Funds were applied to:-

Purchase and construction of assets

Principal repaid on loans

Transfers to externally restricted assets (net)

Transfers to internal reserves (net)

Net Changes in current/non current assets & liabilities

Increase/(Decrease) in Available Working Capital

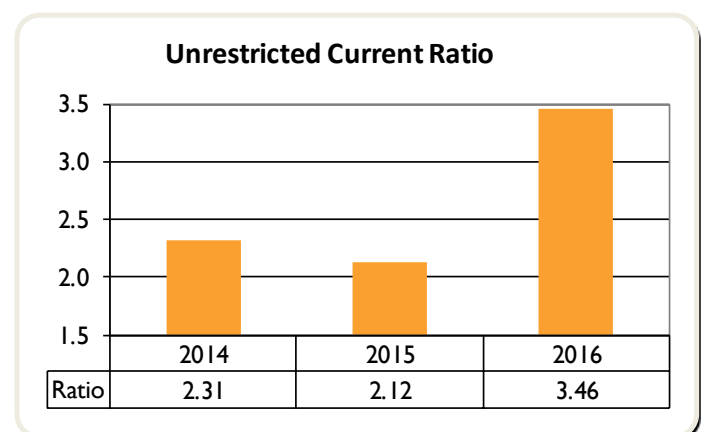
	2016	2015
	\$'000	\$'000
Operating Result (as above)	18,817	14,541
Add back non funding items:-		
- Depreciation, amortisation & impairment	11,231	8,974
- Book value of non-current assets sold	966	985
- Non-cash contributions of assets acquired	7,595	442
- (Gain)/Loss of fair value to investment properties	(160)	0
- (Surplus)/Deficit in joint ventures	(1,686)	(1,372)
	36,763	23,570
New loan borrowings	9,200	1,650
Distributions from joint ventures	548	277
Net Changes in current/non-current assets & liabilities	0	47
	46,511	25,544
Funds were applied to:-		
Purchase and construction of assets	(25,503)	(20,402)
Principal repaid on loans	(1,017)	(1,283)
Transfers to externally restricted assets (net)	(1,533)	(3,556)
Transfers to internal reserves (net)	(13,297)	(339)
Net Changes in current/non current assets & liabilities	(205)	0
	(41,555)	(25,580)
Increase/(Decrease) in Available Working Capital	4,956	(36)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$30.311 million representing a factor of 3.46 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the period the Available Working Capital of Council stood at \$9.898 million as detailed below;

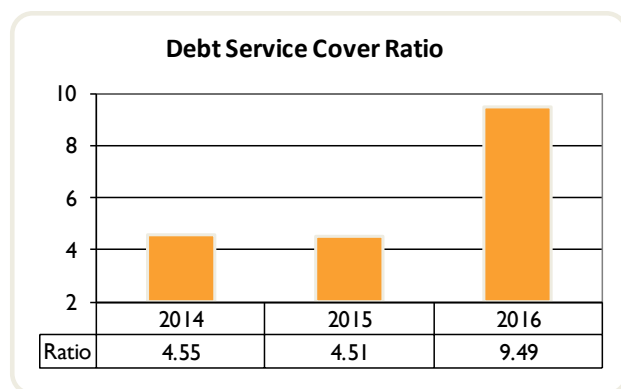
	2016	2015	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	42,074	23,502	18,572
Add: Payables & provisions not expected to be realised in the next 12 months included above	6,365	6,475	(110)
Adjusted Net Current Assets	48,439	29,977	18,462
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	2,820	1,488	1,332
- Employees leave entitlements	1,859	1,867	(8)
Less: Externally restricted assets	(18,128)	(16,595)	(1,533)
Less: Internally restricted assets	(25,092)	(11,795)	(13,297)
Available Working Capital as at 12 May	9,898	4,942	4,956

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.

2.3 Debt

After repaying principal and interest of \$1.810 million and taking up new borrowings of \$9.2 million, total debt as at 12 May 2016 stood at \$23.845 million (30 June 2015 - \$15.662 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 9.49 to 1.



2.4 Summary

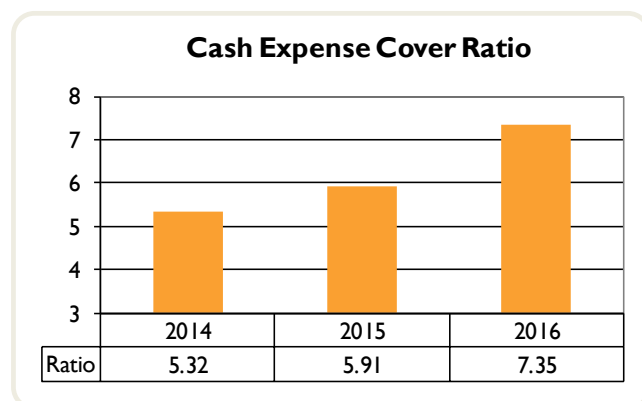
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

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

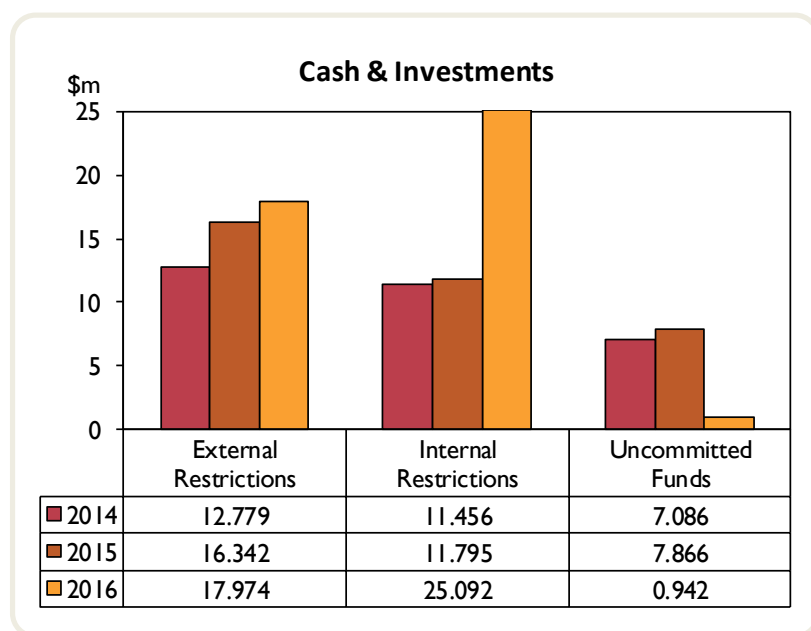
For 2016, this ratio stood at 7.35 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$44.008 million at 12 May 2016 as compared with \$36.003 million at 30 June 2015 and \$31.321 million in 2014.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$14.978 million), domestic waste and stormwater management charges (\$2.248 million) and specific purpose grants and contributions (\$748,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$25.092 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$942,000, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the period and reveals that cash decreased by \$995,000 to \$4.508 million at 12 May 2016.

In addition to operating activities which contributed net cash of \$8.438 million were the proceeds from the sale of investment securities (\$74 million), proceeds from borrowings (\$9.2 million), distributions from associated entities (\$548,000) and sale of assets (\$1.368 million). Cash outflows other than operating activities were used to purchase investment securities (\$83 million), repay loans (\$1.017 million) and to purchase and construct assets (\$10.532 million).

4. RECEIVABLES

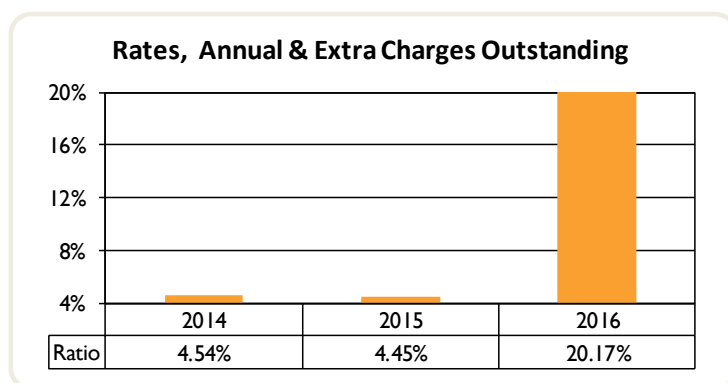
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the period totalled \$51.792 million and represented 55% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$53.903 million of which \$43.395 million (81%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$10.967 million at 12 May 2016 and represented 20.17% of those receivables. This indicator has been adversely impacted Council's amalgamation such that the final rates instalment issued for the period was not due until after balance date.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$6.726 million and mostly consisted user charges and fees (\$1.364 million) and amounts due from government departments (\$4.411 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$380,000.

5. PAYABLES

5.1 *Employees Leave Entitlements*

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$7.829 million. Internally restricted cash and investments of \$1.726 million was held representing 22% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

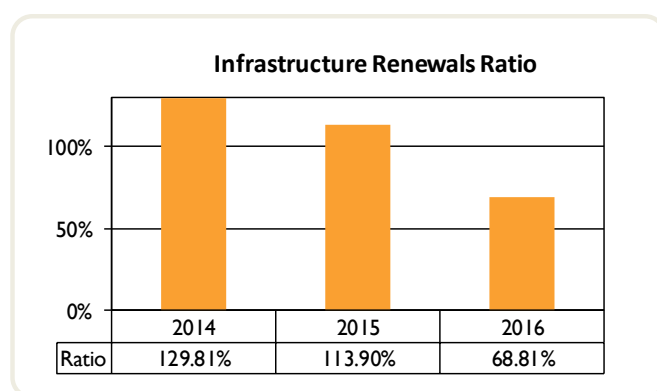
5.3 *Deposits, Retentions & Bonds*

Deposits, retentions and bonds held at period end amounted to \$657,000 and were fully funded by internally restricted cash and investments.

6. INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2016 represented 69% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. REVALUATION OF ASSETS

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

During the period, community land and buildings were revalued. This resulted in a net increase of \$92.420 million that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 2 March 2016. This included our suggestions on possible ways to strengthen and/or improve procedures. Management has responded by letter with comments and proposed actions.

9. CONCLUSION

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

Yours faithfully,
HILL ROGERS



GARY MOTTAU
Partner

The former Pittwater Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016



**"To be a vibrant sustainable community of
connected villages inspired by bush, beach and water"**

The former Pittwater Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

The former Pittwater Council

Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Northern Beaches Council made on 22 November 2016.



Dick Persson
Administrator



Mark Ferguson
General Manager



David Walsh
Responsible Accounting Officer

The former Pittwater Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

Sydney Lakeside
Caravan Park

Category 1

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000		
Income from continuing operations		
User charges	5,895	5,917
Total income from continuing operations	5,895	5,917
Expenses from continuing operations		
Employee benefits and on-costs	27	9
Borrowing costs	444	516
Materials and contracts	319	1,510
Depreciation and impairment	393	444
Calculated taxation equivalents	112	113
Other expenses	1,821	677
Total expenses from continuing operations	3,116	3,269
Surplus (deficit) from continuing operations before capital amounts	2,779	2,648
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	2,779	2,648
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	2,779	2,648
Less: corporate taxation equivalent (30%) [based on result before capital]	(834)	(794)
SURPLUS (DEFICIT) AFTER TAX	1,945	1,854
Plus opening retained profits	39,084	39,367
Plus/less: prior period adjustments	(55)	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	112	113
– Corporate taxation equivalent	834	794
Add:		
– Dividend paid	(2,283)	(3,044)
Closing retained profits	39,637	39,084
Return on capital %	43.5%	40.5%
Subsidy from Council	—	—

The former Pittwater Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

Sydney Lakeside Caravan
Park

Category 1

\$ '000	Category 1	
	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	150	150
Inventories	1	1
Total Current Assets	151	151
Non-current assets		
Infrastructure, property, plant and equipment	7,409	7,803
Land	38,850	38,850
Total non-current assets	46,259	46,653
TOTAL ASSETS	46,410	46,804
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	492	436
Total current liabilities	492	436
Non-current liabilities		
Borrowings	2,897	3,900
Total non-current liabilities	2,897	3,900
TOTAL LIABILITIES	3,389	4,336
NET ASSETS	43,021	42,468
EQUITY		
Retained earnings	39,637	39,084
Revaluation reserves	3,384	3,384
Council equity interest	43,021	42,468
Non-controlling equity interest	–	–
TOTAL EQUITY	43,021	42,468

The former Pittwater Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

The former Pittwater Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

Sydney Lakeside Caravan Park

Permanent and short stay caravan park accommodation.

Category 2

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

Nil

Monetary amounts

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

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-

The former Pittwater Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – No Payroll tax payable.

Income tax

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

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

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

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

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

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments

have been made for variations that have occurred during the period.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

The former Pittwater Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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

(iv) Dividends

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



NORTHERN BEACHES COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of the former Pittwater Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by the Council and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

Assurance Partners

Independence

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

Auditor's Opinion

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS



GARY MOTTAU
Partner

Dated at Sydney this 23rd day of November 2016

The former Pittwater Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016



**"To be a vibrant sustainable community of
connected villages inspired by bush, beach and water"**

The former Pittwater Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

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Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
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¹ Special Schedules are not audited.

Background

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

The former Pittwater Council

Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	4,688	1,552	–	(3,136)
Administration	23,226	6,439	–	(16,787)
Public order and safety				
Fire service levy, fire protection, emergency services	1,543	204	89	(1,250)
Beach control	306	–	–	(306)
Enforcement of local government regulations	3,677	2,425	–	(1,252)
Animal control	39	12	–	(27)
Other	–	–	–	–
Total public order and safety	5,565	2,641	89	(2,835)
Health	297	82	–	(215)
Environment				
Noxious plants and insect/vermin control	35	50	–	15
Other environmental protection	1,446	673	697	(76)
Solid waste management	14,490	11,548	–	(2,942)
Street cleaning	1,114	–	–	(1,114)
Drainage	659	355	671	367
Stormwater management	–	–	–	–
Total environment	17,744	12,626	1,368	(3,750)
Community services and education				
Administration and education	1,387	282	46	(1,059)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	1,387	282	46	(1,059)
Housing and community amenities				
Public cemeteries	359	583	48	272
Public conveniences	–	–	359	359
Street lighting	765	–	–	(765)
Town planning	5,318	1,771	–	(3,547)
Other community amenities	–	–	–	–
Total housing and community amenities	6,442	2,354	407	(3,681)
Water supplies	27	27	–	–
Sewerage services	–	–	–	–

The former Pittwater Council

Special Schedule 1 – Net Cost of Services (continued)

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,234	97	142	(1,995)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	433	404	249	220
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	971	579	—	(392)
Swimming pools	357	—	—	(357)
Parks and gardens (lakes)	1,890	1,778	1,214	1,102
Other sport and recreation	1,234	1,775	3,405	3,946
Total recreation and culture	7,119	4,633	5,010	2,524
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	—	—	—	—
Transport and communication				
Urban roads (UR) – local	—	782	1,002	1,784
Urban roads – regional	432	—	—	(432)
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	69	69
Bridges on SRR – local	13	—	—	(13)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	—	165	57	222
Footpaths	611	—	1,237	626
Aerodromes	—	—	—	—
Other transport and communication	—	—	2,134	2,134
Total transport and communication	1,056	947	4,499	4,390
Economic affairs				
Camping areas and caravan parks	3,393	5,900	—	2,507
Other economic affairs	4,237	1,368	—	(2,869)
Total economic affairs	7,630	7,268	—	(362)
Totals – functions	75,181	38,851	11,419	(24,911)
General purpose revenues ⁽¹⁾		42,042		42,042
Share of interests – joint ventures and associates using the equity method	—	1,686		1,686
NET OPERATING RESULT ⁽²⁾	75,181	82,579	11,419	18,817

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

(2) As per the Income Statement

The former Pittwater Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Financial institutions	1,488	14,024	15,512	9,200	1,017	–	–	793	2,820	20,875	23,695
Other – PGC	–	150	150	–	–	–	–	–	–	150	150
Total loans	1,488	14,174	15,662	9,200	1,017	–	–	793	2,820	21,025	23,845
Total debt	1,488	14,174	15,662	9,200	1,017	–	–	793	2,820	21,025	23,845

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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

The former Pittwater Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	–	–	1,322	1,770	50,735	82,294	0%	62%	38%	0%	0%
	Buildings – specialised	–	–	729	730	33,670	47,918	0%	62%	38%	0%	0%
	Other	786	4,493	272	216	4,622	14,976	6%	22%	47%	25%	0%
	Sub-total	786	4,493	2,323	2,716	89,027	145,188	0.6%	57.9%	38.9%	2.6%	0.0%
Other												
	Other structures	–	–	70	125	1,671	3,877	0%	80%	20%	0%	0%
	Sub-total	–	–	70	125	1,671	3,877	0.0%	80.0%	20.0%	0.0%	0.0%
Roads												
	Sealed roads	2,003	7,348	538	1,131	133,392	179,229	38%	42%	16%	3%	1%
	Footpaths	310	1,335	313	162	16,684	19,067	51%	28%	14%	6%	1%
	Kerb & Guttering	1,127	4,664	336	38	55,030	77,733	14%	48%	32%	5%	1%
	Sub-total	3,440	13,347	1,187	1,331	205,106	276,029	32.1%	42.7%	20.4%	3.8%	1.0%

The former Pittwater Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater	Stormwater drainage	2,373	7,448	1,217	703	98,676	140,924	13%	25%	57%	3%	2%
	Sub-total	2,373	7,448	1,217	703	98,676	140,924	12.8%	25.2%	56.7%	3.4%	1.9%
Open space/ recreational assets	Recreational Assets	182	1,042	675	1,094	4,325	10,351	15%	29%	52%	4%	0%
	Other structures	21	119	75	125	2,107	2,981	15%	29%	52%	4%	0%
	Sub-total	203	1,161	750	1,219	6,432	13,332	15.0%	29.0%	52.0%	4.0%	0.0%
Other infrastructure assets	Infrastructure Assets	–	–	60	368	3,549	4,639	10%	87%	3%	0%	0%
	Sub-total	–	–	60	368	3,549	4,639	10.0%	87.0%	3.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	6,802	26,449	5,607	6,462	404,461	583,989	18.8%	42.6%	34.3%	3.4%	0.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Pittwater Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	3,914	68.81%	113.90%	129.16%
Depreciation, amortisation and impairment	5,688			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	6,802	1.68%	2.64%	4.73%
Carrying value of infrastructure assets	404,461			
3. Asset maintenance ratio				
Actual asset maintenance	6,462	1.15	1.27	1.28
Required asset maintenance	5,607			
4. Capital expenditure ratio				
Annual capital expenditure	16,942	1.51	2.11	2.41
Annual depreciation	11,231			

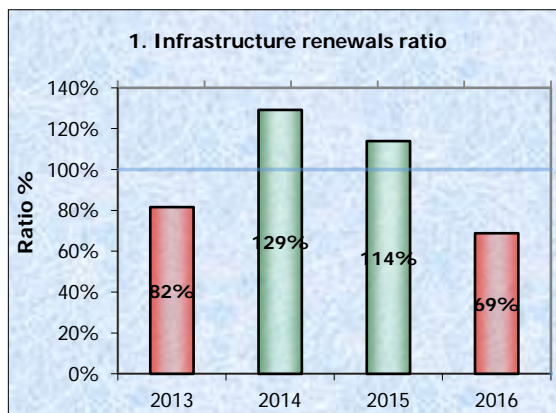
Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

The former Pittwater Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

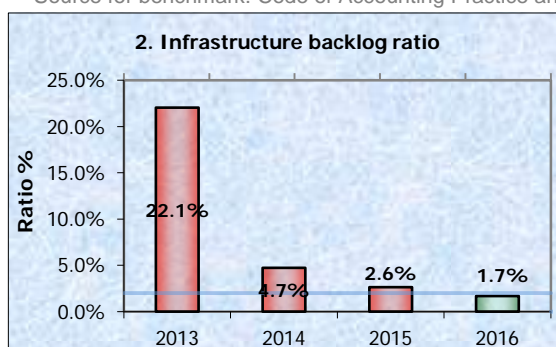
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 12/5/16 result

12/5/16 ratio 68.81%

Council's Building and Infrastructure Renewal Ratio has been consistently above 100% (being benchmark) due to Council's targeted asset renewal programs funded by Council's special rate variation and loan borrowing programs. However due to the finalisation of Accounts on the 12th of May some infrastructure works will be carried out in the 16/17 year which will see the ratio back to the 100% benchmark

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of infrastructure backlog ratio

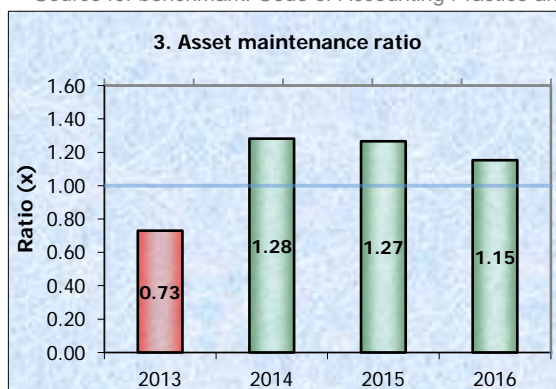
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 12/5/16 result

12/5/16 ratio 1.68%

Council's infrastructure has continued to decrease to the industry benchmark of below 2.00% and is reflective of Council's targeted asset improvements programs funded by Council's special rate variation and loan borrowing programs.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset maintenance ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 1.15 x

Council's Asset Maintenance ratio continues to be consistently above 1.0 (being benchmark) and is reflective of Council's targeted asset maintenance programs. The injection of funds in asset renewal and improvement continues to pay dividends with Council's asset base requiring a stable (not growing) injection of asset maintenance expenditure

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.10

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 12/5/16 result

12/5/16 ratio 1.51 x

Council has maintained a steady capital expenditure ratio that has been consistent over the period which has achieved better than the TCorp benchmark of 1. The slight reduction from 2014-15 relates to a \$4.755M depreciation adjustment in the 2015-16 year

Ratio achieves benchmark
Ratio is outside benchmark