

Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*“...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles.”*



Willoughby City Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Balance Sheet	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	76
- On the Conduct of the Audit (Sect 417 [3])	77

Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Willoughby City Council.

(ii) Willoughby City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 11/10/11.
Council has the power to amend and reissue the financial statements.

Willoughby City Council

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

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

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

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Additional information

A snapshot of Council's key financial figures over the past 5 years can be found at Note 27 of the Financial Statements.

Willoughby City Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

Statement by Councillors and Management

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 10 October 2011.



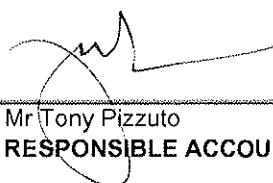
Councillor Pat Reilly
MAYOR



Councillor Wendy Norton
DEPUTY MAYOR



Mr Nick Tobin
GENERAL MANAGER



Mr Tony Pizzuto
RESPONSIBLE ACCOUNTING OFFICER

Willoughby City Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾				Actual	Actual
2011	\$ '000		Notes	2011	2010
Income from Continuing Operations					
Revenue:					
47,600	Rates & Annual Charges		3a	47,379	45,849
18,042	User Charges & Fees		3b	15,781	14,910
3,149	Interest & Investment Revenue		3c	3,893	5,541
4,492	Other Revenues		3d	10,906	11,790
5,803	Grants & Contributions provided for Operating Purposes		3e,f	7,455	6,049
1,530	Grants & Contributions provided for Capital Purposes		3e,f	7,058	5,884
Other Income:					
6,635	Net gains from the disposal of assets		5	16,412	139
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	9	-
87,251	Total Income from Continuing Operations			108,893	90,162
Expenses from Continuing Operations					
36,421	Employee Benefits & On-Costs		4a	36,305	34,268
3,233	Borrowing Costs		4b	3,472	1,938
23,914	Materials & Contracts		4c	26,811	24,771
9,690	Depreciation & Amortisation		4d	10,558	8,983
9,469	Other Expenses		4e	10,694	9,821
-	Net Losses from the Disposal of Assets		5	-	-
5	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	25
82,732	Total Expenses from Continuing Operations			87,840	79,806
4,519	Operating Result from Continuing Operations			21,053	10,356
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
4,519	Net Operating Result for the Year			21,053	10,356
4,519	Net Operating Result attributable to Council			21,053	10,356
-	Net Operating Result attributable to Minority Interests			-	-
2,989	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			13,995	4,472

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

Willoughby City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		21,053	10,356
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	71,233	16,920
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Adjustment to correct prior period errors	20c	8,204	130,824
Total Other Comprehensive Income for the year		79,437	147,744
Total Comprehensive Income for the Year		100,490	158,100
Total Comprehensive Income attributable to Council		100,490	158,100
Total Comprehensive Income attributable to Minority Interests		-	-

Willoughby City Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	11,163	7,042
Investments	6b	13,000	32,866
Receivables	7	29,056	6,188
Inventories	8	20	25
Other	8	397	160
Non-current assets classified as "held for sale"	22	1,525	8,589
Total Current Assets		55,161	54,870
Non-Current Assets			
Investments	6b	11,309	19,751
Receivables	7	42	42
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,671,566	2,542,474
Investments accounted for using the equity method	19	52	43
Investment Property	14	8,150	8,700
Intangible Assets	25	-	-
Total Non-Current Assets		2,691,119	2,571,010
TOTAL ASSETS		2,746,280	2,625,880
LIABILITIES			
Current Liabilities			
Payables	10	14,294	19,466
Borrowings	10	1,307	1,015
Provisions	10	9,864	9,211
Total Current Liabilities		25,465	29,692
Non-Current Liabilities			
Payables	10	1,365	1,468
Borrowings	10	61,382	37,120
Provisions	10	434	456
Total Non-Current Liabilities		63,181	39,044
TOTAL LIABILITIES		88,646	68,736
Net Assets		2,657,634	2,557,144
EQUITY			
Retained Earnings	20	2,381,398	2,352,141
Revaluation Reserves	20	276,236	205,003
Council Equity Interest		2,657,634	2,557,144
Minority Equity Interest		-	-
Total Equity		2,657,634	2,557,144

Willoughby City Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		2,352,141	205,003	2,557,144	-	2,557,144
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		2,352,141	205,003	2,557,144	-	2,557,144
c. Net Operating Result for the Year		21,053	-	21,053	-	21,053
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	71,233	71,233	-	71,233
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Correction of Prior Period Errors	20c	8,204	-	8,204	-	8,204
- Changes in Accounting policies	20b (ii)	-	-	-	-	-
Other Comprehensive Income		8,204	71,233	79,437	-	79,437
Total Comprehensive Income (c&d)		29,257	71,233	100,490	-	100,490
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		2,381,398	276,236	2,657,634	-	2,657,634

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		2,210,961	188,083	2,399,044	-	2,399,044
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		2,210,961	188,083	2,399,044	-	2,399,044
c. Net Operating Result for the Year		10,356	-	10,356	-	10,356
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	16,920	16,920	-	16,920
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Correction of Prior Period Errors	20c	130,824	-	130,824	-	130,824
- Changes in Accounting policies	20b (ii)	-	-	-	-	-
Other Comprehensive Income		130,824	16,920	147,744	-	147,744
Total Comprehensive Income (c&d)		141,180	16,920	158,100	-	158,100
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		2,352,141	205,003	2,557,144	-	2,557,144

Willoughby City Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
47,202	Rates & Annual Charges		47,251	45,869
17,242	User Charges & Fees		12,893	14,455
3,149	Investment & Interest Revenue Received		3,940	4,146
7,333	Grants & Contributions		14,833	12,134
4,492	Other		20,484	22,089
Payments:				
(35,720)	Employee Benefits & On-Costs		(35,767)	(33,612)
(29,412)	Materials & Contracts		(25,389)	(28,428)
(3,333)	Borrowing Costs		(2,436)	(1,187)
(9,459)	Other		(25,124)	(13,159)
<u>1,494</u>	Net Cash provided (or used in) Operating Activities	11b	<u>10,685</u>	<u>22,307</u>
Cash Flows from Investing Activities				
Receipts:				
52,000	Sale of Investment Securities		38,186	112,956
16,374	Sale of Infrastructure, Property, Plant & Equipment		2,978	501
Payments:				
(13,000)	Purchase of Investment Securities		(9,320)	(56,478)
(84,735)	Purchase of Infrastructure, Property, Plant & Equipment		(62,219)	(82,449)
<u>(29,361)</u>	Net Cash provided (or used in) Investing Activities		<u>(30,375)</u>	<u>(25,470)</u>
Cash Flows from Financing Activities				
Receipts:				
25,000	Proceeds from Borrowings & Advances		25,000	3,300
Payments:				
(1,016)	Repayment of Borrowings & Advances		(1,189)	(756)
<u>23,984</u>	Net Cash Flow provided (used in) Financing Activities		<u>23,811</u>	<u>2,544</u>
<u>(3,883)</u>	Net Increase/(Decrease) in Cash & Cash Equivalents		<u>4,121</u>	<u>(619)</u>
7,042	plus: Cash & Cash Equivalents - beginning of year	11a	7,042	7,661
<u>3,159</u>	Cash & Cash Equivalents - end of the year	11a	<u>11,163</u>	<u>7,042</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	24,309	52,617
	Total Cash, Cash Equivalents & Investments		<u>35,472</u>	<u>59,659</u>

Please refer to Note 11 for additional cash flow information.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	26
2(b)	Council Functions / Activities - Component Descriptions	27
3	Income from Continuing Operations	28
4	Expenses from Continuing Operations	32
5	Gains or Losses from the Disposal of Assets	36
6(a)	Cash & Cash Equivalent Assets	37
6(b)	Investment Securities	38
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	39
7	Receivables	41
8	Inventories & Other Assets	42
9(a)	Infrastructure, Property, Plant & Equipment	43
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	44
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	44
10(a)	Payables, Borrowings & Provisions	45
10(b)	Description of (& movements in) Provisions	46
11	Statement of Cash Flows - Additional Information	47
12	Commitments for Expenditure	49
13a	Statements of Performance Measures:	
	- Local Government Industry Indicators (Consolidated)	51
	- Local Government Industry Graphs (Consolidated)	52
13b	Statement of Performance Measures - Indicators (by Fund)	53
14	Investment Properties	54
15	Financial Risk Management	55
16	Material Budget Variations	60
17	Statement of Developer Contributions	62
18	Contingencies and Other Liabilities/Assets not recognised	64
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	67
20	Equity - Retained Earnings and Revaluation Reserves	70
21	Financial Result & Financial Position by Fund	72
22	"Held for Sale" Non Current Assets & Disposal Groups	72
23	Events occurring after Balance Sheet date	73
24	Discontinued Operations	73
25	Intangible Assets	73
26	Reinstatement, Rehabilitation & Restoration Liabilities	73
Additional Council Disclosures		
27	Key Financial Figures of Council over the past 5 years (consolidated)	74
28	Council Information & Contact Details	75

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has been established for rates outstanding as at 30th June 2011 where there is some doubt as to the recovery.

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

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

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations

In 2010/11 Council's section 355 Committee's accounts have not been consolidated.

Although the committees are a very important part of Council the total revenue and net assets are not material and therefore have not been consolidated into Council's Financial Statements.

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and are carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,

- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- Bank overdrafts.

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

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

Initial Recognition

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

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

borrowing could be obtained from an independent financier under comparable terms and conditions.

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	100% Capitalised
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Building

- Construction/extensions	100% Capitalised
- Renovations	100% Capitalised

Other Structures	100% Capitalised
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Stormwater Assets

Drains & Culverts	20-30% Capitalised
Other	20-30% Capitalised

Transport Assets

Road construction & reconstruction	20-30% Capitalised
Reseal/Re-sheet & major repairs:	20-30% Capitalised

Bridge construction & reconstruction	20-30% Capitalised
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Footpath construction & reconstruction	20-30% Capitalised
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K&G construction & reconstruction	20-30% Capitalised
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Depreciation

Depreciation on Council's infrastructure and Buildings is based on the consumption of the Asset over its useful life. Plant & Equipment, Office Furniture Land Improvements, Other Structures and

all other Assets are depreciated based on the straight line method over its estimated useful life.

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	5 to 10 years
- Computer Equipment	5 years
- Vehicles & plant	5 years

Other Equipment

- Playground equipment	5 to 15 years
- Park furniture & equipment	10 to 20 years

Buildings

- Envelope	60 to 150 years
- Roof	15 to 65 years
- Floors	40 to 150 years
- Floor coverings	15 to 80 years
- Internal fit-out	20 to 45 years
- Mechanical	25 to 35 years
- Transportation	15 years
- Fire protection	40 years

Stormwater Drainage

- Drains	40-80 years
- Culverts	40 years

Transportation Assets

- Sealed Roads: Surface	15-20 years
- Sealed Roads: Pavement	60 years
- Major Bridges	15-100 years
- Major Culverts	20 to 50 years
- Minor Structures	10-60 years
- Kerb & Gutter Concrete	70 years
- Footpaths Concrete	40 years
- Footpaths Bitumen	20 years

Land Improvements	5 to 50 years
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Other Structures	10 to 100 years
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

However, should council recognise any intangible assets these assets would be amortised on a straight line bases over periods generally ranging from 3 to 5 years.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Full revaluations are carried out every year. The last full revaluation for Council's Investment Properties was dated 03/08/11.

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

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

Council is not required to carry out any remediation works as at 30 June 2011.

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

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

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

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

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

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

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

(s) Impairment of assets

All Council's IPP&E is subject to an annual assessment of impairment.

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

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

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

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

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

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

(t) Payables

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$2,058,050 at 30 June 2011.

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

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

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

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

Defined Contribution Plans

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Employee Benefit On-Costs

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

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

(y) Self insurance

Council does not self insure.

(z) Allocation between current and Non-current assets & liabilities

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG Interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

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

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

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

Applicable to Local Government but no implications for Council;

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

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

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

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

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

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010

introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

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

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

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

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

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

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	222	235	71	1,343	1,387	1,405	(1,121)	(1,152)	(1,334)	-	-	280	5,712
Administration	1,537	3,044	4,324	20,725	19,224	16,476	(19,188)	(16,180)	(12,152)	109	94	364,717	309,018
Public Order & Safety	4,278	4,209	4,232	3,917	4,104	3,732	361	105	500	-	-	1,453	1,454
Health	1,079	1,260	1,480	1,249	916	632	(170)	344	848	-	-	1,560	1,628
Environment	9,180	11,883	11,265	17,000	17,791	15,723	(7,820)	(5,908)	(4,458)	700	-	-	-
Community Services & Education	4,661	4,948	5,259	6,147	6,483	6,195	(1,486)	(1,535)	(936)	1,449	2,152	11,507	11,689
Housing & Community Amenities	2,915	2,187	2,154	5,860	5,574	5,403	(2,945)	(3,387)	(3,249)	1,250	1,959	68,735	77,775
Water Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	5,296	8,260	6,692	15,842	18,305	17,395	(10,546)	(10,045)	(10,703)	968	592	1,826,354	1,752,601
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	457	387	558	1,251	1,320	1,252	(794)	(933)	(694)	-	-	-	-
Transport & Communication	5,577	9,200	7,785	8,533	11,657	10,424	(2,956)	(2,457)	(2,639)	1,302	500	393,545	397,234
Economic Affairs	9,466	20,830	3,413	860	1,079	1,144	8,606	19,751	2,269	-	-	78,077	68,726
Total Functions & Activities	44,668	66,443	47,233	82,727	87,840	79,781	(38,059)	(21,397)	(32,548)	5,778	5,297	2,746,228	2,625,837
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	9	-	5	-	25	(5)	9	(25)	-	-	52	43
General Purpose Income ¹	42,583	42,441	42,929	-	-	-	42,583	42,441	42,929	2,104	1,976	-	-
Operating Result from Continuing Operations	87,251	108,893	90,162	82,732	87,840	79,806	4,519	21,053	10,356	7,882	7,273	2,746,280	2,625,880

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Costs relating to the 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, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		20,714	20,114
Business		16,047	15,642
Total Ordinary Rates		36,761	35,756
Special Rates			
Stormwater Management Levy		674	673
Total Special Rates		674	673
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		9,944	9,420
Total Annual Charges		9,944	9,420
TOTAL RATES & ANNUAL CHARGES		47,379	45,849
Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.			
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		285	244
Total User Charges		285	244
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Planning & Building Regulation		1,667	1,888
Section 611 Charges		47	46
Total Fees & Charges - Statutory/Regulatory		1,714	1,934
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Building Related		292	358
Child Care		2,252	2,056
Community Services		1,866	1,945
Leisure Centre		2,952	2,488
Parking Fees		3,641	3,427
Restoration Charges		1,629	1,772
Other		1,150	686
Total Fees & Charges - Other		13,782	12,732
TOTAL USER CHARGES & FEES		15,781	14,910

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		101	73
- Interest earned on Investments (interest & coupon payment income)		3,234	4,923
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		558	545
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,893</u>	<u>5,541</u>
Interest Revenue is attributable to:			
Overdue Rates & Annual Charges		101	73
General Council Cash & Investments		2,202	2,711
Development Contributions			
- Section 94		216	271
Internally Restricted Assets		1,374	2,486
Total Interest & Investment Revenue Recognised		<u>3,893</u>	<u>5,541</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	(550)	-
Rental Income - Investment Properties	14	409	161
Rental Income - Other Council Properties		4,916	5,212
Fines		3,846	3,960
Legal Fees Recovery - Rates & Charges (Extra Charges)		10	2
Legal Fees Recovery - Other		170	37
Art Exhibition		6	4
Commissions & Agency Fees		7	10
Community Development		26	26
Council Property		75	60
General Administration		2	23
Insurance Claim Recoveries		251	250
Library Services		43	45
Orchestra & Choir		18	60
Sale of Rights of Way to Drainage Easement		-	1,450
Sales - General		60	29
Sponsorship		39	32
Street Fair		20	26
Merchant Fee Recovery		62	58
Interchange Final Settlement		925	-
Melody Markets		136	191
Services Recovery		331	-
Other		104	154
<u>TOTAL OTHER REVENUE</u>		<u>10,906</u>	<u>11,790</u>

Willoughby City Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,382	1,279	-	-
Financial Assistance - Local Roads Component	527	489	-	-
Pensioners' Rates Subsidies - General Component	195	208	-	-
Total General Purpose	2,104	1,976	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	95	94	-	-
Community Care	1,449	1,627	-	525
Housing and Community Amenities	1,250	1,272	-	644
Recreation & Culture	461	173	507	418
Street Lighting	181	177	-	-
Traffic Route Subsidy	39	44	-	-
Transport (Roads to Recovery)	1,000	-	-	323
Transport (Other Roads & Bridges Funding)	82	-	-	-
Environment	-	-	700	-
Other	14	-	-	-
Total Specific Purpose	4,571	3,387	1,207	1,910
Total Grants	6,675	5,363	1,207	1,910
Grant Revenue is attributable to:				
- Commonwealth Funding	1,878	894	507	725
- State Funding	4,618	4,388	700	1,185
- Other Funding	179	81	-	-
	6,675	5,363	1,207	1,910
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	5,365	3,551
Total Developer Contributions	-	-	5,365	3,551
Other Contributions:				
Community Services	14	15	-	-
Housing and Community Amenities	48	-	-	203
Other Councils - Joint Works/Services	39	38	-	-
Recreation & Culture	128	68	486	137
RTA Contributions (Regional/Local, Block Grant)	551	565	-	-
Transport & Communication	-	-	-	83
Total Other Contributions	780	686	486	423
Total Contributions	780	686	5,851	3,974
TOTAL GRANTS & CONTRIBUTIONS	7,455	6,049	7,058	5,884

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	11,895	10,396
add: Grants and contributions recognised in the current period which have not been spent:	6,732	6,233
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,112)	(4,734)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	4,620	1,499
Unexpended at the Close of this Reporting Period and held as Restricted Assets	16,515	11,895
Comprising:		
- Specific Purpose Unexpended Grants	2,409	2,302
- Developer Contributions	14,106	9,579
- Other Contributions	-	14
	16,515	11,895

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		27,439	25,722
Travelling		69	70
Employee Leave Entitlements (ELE)		3,908	3,754
Superannuation		3,393	3,271
Workers' Compensation Insurance		1,133	1,133
Fringe Benefit Tax (FBT)		412	406
Training Costs (other than Salaries & Wages)		313	284
Other		66	91
Total Employee Costs		36,733	34,731
less: Capitalised Costs		(428)	(463)
TOTAL EMPLOYEE COSTS EXPENSED		36,305	34,268
Number of "Equivalent Full Time" Employees at year end		402	406
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,729	1,186
Total Interest Bearing Liability Costs		2,729	1,186
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		2,729	1,186
(ii) Other Borrowing Costs			
Fair Value Adjustment on Loans (taken out by Council)		743	752
Total Other Borrowing Costs		743	752
TOTAL BORROWING COSTS EXPENSED		3,472	1,938

Willoughby City Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		3,366	3,411
Contractor & Consultancy Costs		20,991	19,279
Auditors Remuneration			
- Audit Services: Council's Auditor		49	49
- Other Services: Council's Auditor		4	4
Legal Expenses:			
- Legal Expenses: Planning & Development		402	504
- Legal Expenses: Other		560	194
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		1,184	1,126
Other		255	204
Total Materials & Contracts		26,811	24,771
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		26,811	24,771
1. Operating Lease Payments are attributable to:			
- Buildings		687	699
- Computers		386	249
- Motor Vehicles		111	-
- Other		-	178
		1,184	1,126

Willoughby City Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	1,153	1,189
Office Equipment		-	-	255	312
Furniture & Fittings		-	-	67	93
Land Improvements (depreciable)		-	-	441	839
Buildings - Non Specialised		-	-	104	117
Buildings - Specialised		-	-	663	668
Other Structures		-	-	291	299
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,040	4,133
- Stormwater Drainage		-	-	1,851	699
Other Assets					
- Library Books		-	-	428	409
- Other		-	-	265	225
Total Depreciation & Impairment Costs		-	-	10,558	8,983
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,558	8,983

Willoughby City Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		443	447
Bank Charges		197	171
Child Care Assistance Fee Relief		212	231
Commissions and Agency Fees		609	608
Computer Operating Expenses		739	719
Contributions/Levies to Other Levels of Government			
- EPA Levy		199	194
- NSW Fire Brigade Levy		1,375	1,264
- Parking Space Levy		478	474
Councillor Expenses - Mayoral Fee		54	52
Councillor Expenses - Councillors' Fees		265	258
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		32	26
Donations, Contributions & Assistance to other organisations (Section 356)		449	380
Election Expenses		-	44
Electricity & Heating		829	819
Events & Community Projects		27	10
Insurance		1,326	1,336
Orchestra Costs		49	40
Street Lighting		1,111	844
Subscriptions & Publications		115	122
Telephone & Communications		528	628
Valuation Fees		88	82
Vehicle Registrations		101	96
Water Rates & Other Services		246	242
Concourse Venue Management		274	-
Other		948	734
Total Other Expenses		10,694	9,821
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		10,694	9,821

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		24,569	-
less: Carrying Amount of Property Assets Sold		(8,120)	-
Net Gain/(Loss) on Disposal		16,449	-
Plant & Equipment			
Proceeds from Disposal		428	501
less: Carrying Amount of P&E Assets Sold		(278)	(362)
Net Gain/(Loss) on Disposal		150	139
Infrastructure			
Proceeds from Disposal		485	-
less: Carrying Amount of Infrastructure Assets Sold		(672)	-
Net Gain/(Loss) on Disposal		(187)	-
Financial Assets*			
Proceeds from Disposal / Redemptions		38,186	112,956
less: Carrying Amount of Financial Assets Sold / Redeemed		(38,186)	(112,956)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		16,412	139

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		9	-	10	-
Cash-Equivalent Assets ¹					
- Deposits at Call		11,154	-	7,032	-
Total Cash & Cash Equivalents		11,163	-	7,042	-
Investment Securities (Note 6b)					
- Managed Funds		-	-	5,405	-
- Long Term Deposits		13,000	-	27,461	-
- Equity Linked Notes		-	2,691	-	3,525
- NCD's, FRN's (with Maturities > 3 months)		-	8,000	-	14,387
- CDO's		-	618	-	1,839
Total Investment Securities		13,000	11,309	32,866	19,751
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		24,163	11,309	39,908	19,751

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	11,163	-	7,042	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	11,309	5,405	19,751
b. "Held to Maturity"	6(b-ii)	13,000	-	27,461	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		13,000	11,309	32,866	19,751

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	5,405	19,751	9,438	33,706
Revaluations (through the Income Statement)	-	558	-	545
Additions	1,320	-	443	1,000
Disposals (sales & redemptions)	(6,725)	(9,000)	(4,476)	(15,500)
Balance at End of Year	-	11,309	5,405	19,751
Comprising:				
- Managed Funds	-	-	5,405	-
- Equity Linked Notes	-	2,691	-	2,663
- NCD's, FRN's (with Maturities > 3 months)	-	8,000	-	15,249
- CDO's	-	618	-	1,839
Total	-	11,309	5,405	19,751
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	27,461	-	65,406	-
Additions	8,000	-	55,035	-
Disposals (sales & redemptions)	(22,461)	-	(92,980)	-
Balance at End of Year	13,000	-	27,461	-
Comprising:				
- Long Term Deposits	13,000	-	27,461	-
Total	13,000	-	27,461	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	24,163	11,309	39,908	19,751
attributable to:				
External Restrictions (refer below)	5,400	11,309	-	12,212
Internal Restrictions (refer below)	16,264	-	32,294	7,539
Unrestricted	2,499	-	7,614	-
	24,163	11,309	39,908	19,751

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	9,579	5,581	(1,054)	14,106
RTA Contributions (E)	14	-	(14)	-
Specific Purpose Unexpended Grants (F)	2,302	107	-	2,409
Domestic Waste Management (G)	317	570	(693)	194
External Restrictions - Other	12,212	6,258	(1,761)	16,709
Total External Restrictions	12,212	6,258	(1,761)	16,709

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

E RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	423	-	(45)	378
Employees Leave Entitlement	1,877	144	-	2,021
Affordable Housing	689	42	-	731
Artarmon Redevelopment	62	-	-	62
Asset Improvement	2,175	160	(2,174)	161
Choir	9	-	-	9
Community Facilities	527	-	(377)	150
Constant Companion	111	59	-	170
Depot	4,217	157	(4,000)	374
Employee Overheads	220	64	-	284
Environmental Development Plan	859	251	(473)	637
Information Technology	800	341	-	1,141
Insurance Claims	179	-	-	179
Loans General	5,044	-	(5,044)	-
Library Friends	151	-	(99)	52
Paid Parking	220	260	(39)	441
Property Plan	6,061	-	(5,354)	707
Property Redevelopment	250	-	(250)	-
Regency Leisure Centre Trust	1,467	-	(103)	1,364
Regency Leisure Centre Lease	3,045	490	(947)	2,588
Repair to Damage-Road and Footway	1,904	340	(1,969)	275
Stormwater Management	470	558	(412)	616
The Concourse	5,562	43,061	(47,288)	1,335
The Concourse Loan	3,506	2,307	(3,229)	2,584
Willoughby Suganami Com	5	-	-	5
Total Internal Restrictions	39,833	48,234	(71,803)	16,264
TOTAL RESTRICTIONS	52,045	54,492	(73,564)	32,973

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,567	42	1,270	42
User Charges & Fees		2,682	-	1,772	-
Accrued Revenues					
- Interest on Investments		446	-	1,051	-
- Other Income Accruals		371	-	337	-
Government Grants & Subsidies		423	-	375	-
Receivable - Property Sale		22,504	-	-	-
Amounts due from Other Councils		106	-	56	-
Net GST Receivable		833	-	981	-
Other Debtors		311	-	364	-
Total		29,243	42	6,206	42
less: Provision for Impairment					
Rates & Annual Charges		(169)	-	-	-
User Charges & Fees		(18)	-	(18)	-
Total Provision for Impairment - Receivables		(187)	-	(18)	-
<u>TOTAL NET RECEIVABLES</u>		<u>29,056</u>	<u>42</u>	<u>6,188</u>	<u>42</u>
Externally Restricted Receivables					
Domestic Waste Management		250	-	218	-
Total External Restrictions		250	-	218	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		28,806	42	5,970	42
TOTAL NET RECEIVABLES		<u>29,056</u>	<u>42</u>	<u>6,188</u>	<u>42</u>

Notes on Debtors above:

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

Willoughby City Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		20	-	25	-
Total Inventories		20	-	25	-
Other Assets					
Prepayments		397	-	160	-
Total Other Assets		397	-	160	-
TOTAL INVENTORIES / OTHER ASSETS		417	-	185	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period							as at 30/6/2011					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying	
	Cost	Fair Value	Deprec.	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value	
Capital Work in Progress	119,652	-	-	-	119,652	50,717	-	-		(1,209)	-	-	169,160	-	-	-	-	169,160
Plant & Equipment	-	7,220	3,860	-	3,360	948	(262)	(1,153)		-	-	-	-	6,999	4,106	-	-	2,893
Office Equipment	-	5,194	4,290	-	904	223	(16)	(255)		-	-	-	-	2,678	1,822	-	-	856
Furniture & Fittings	-	5,108	4,880	-	228	-	-	(67)		-	-	-	-	5,108	4,947	-	-	161
Plant & Equipment (under Finance Lease)	-	51	51	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Land:																		
- Operational Land	-	323,930	-	-	323,930	-	(8,120)	-	(13,000)	17,128	6,595	-	-	339,533	-	13,000	-	326,533
- Community Land	1,619,728	-	-	-	1,619,728	-	-	-		21,474	-	71,233	-	1,712,435	-	-	-	1,712,435
Land Improvements - depreciable	47,313	-	21,529	-	25,784	2,082	-	(441)		(17,860)	-	-	-	10,981	1,416	-	-	9,565
Buildings - Non Specialised	-	5,883	2,100	-	3,783	-	-	(104)		-	-	-	-	5,883	2,204	-	-	3,679
Buildings - Specialised	-	127,466	6,991	-	120,475	1,356	-	(663)		6	-	-	-	128,829	7,655	-	-	121,174
Other Structures	6,590	-	3,418	-	3,172	173	-	(291)		(456)	-	-	-	6,122	3,524	-	-	2,598
Infrastructure:																		
- Roads, Bridges, Footpaths	-	304,237	66,649	-	237,588	3,989	(671)	(5,040)		1,556	469	-	-	310,007	72,116	-	-	237,891
- Bulk Earthworks (non-depreciable)	-	20,699	-	-	20,699	-	-	-		-	-	-	-	20,699	-	-	-	20,699
- Stormwater Drainage	-	93,679	32,990	-	60,689	549	(1)	(1,851)		119	-	-	-	94,345	34,840	-	-	59,505
Other Assets:																		
- Library Books	5,110	-	3,776	-	1,334	852	-	(428)		-	-	-	-	5,963	4,205	-	-	1,758
- Other	3,369	-	2,221	-	1,148	1,330	-	(265)		446	-	-	-	3,732	1,073	-	-	2,659
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,801,762	893,467	152,755	-	2,542,474	62,219	(9,070)	(10,558)	(13,000)	21,204	7,064	71,233	169,160	2,653,314	137,908	13,000	-	2,671,566

1. Asset Purchases of \$62,219 include asset Renewals (Building & Infrastructure) of \$5,093

Willoughby City Council

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

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

\$ '000

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

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

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

NB. Impairment Adjustments relating to I,PP&E assets may have been recognised direct to Equity - refer Note 20 (ii).

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		7,407	1,365	3,206	1,468
Payments Received In Advance		172	-	3,110	-
Accrued Expenses:					
- Borrowings		429	-	136	-
- Other Expenditure Accruals		800	-	7,786	-
Security Bonds, Deposits & Retentions		5,128	-	5,082	-
Other		358	-	146	-
Total Payables		14,294	1,365	19,466	1,468
Borrowings					
Loans - Secured ¹		1,232	60,140	940	35,802
Deferred Payment Liabilities		75	1,242	75	1,318
Total Borrowings		1,307	61,382	1,015	37,120
Provisions					
Employee Benefits;					
Annual Leave		2,702	-	2,563	-
Long Service Leave		6,338	268	5,874	270
Gratuities		-	113	-	109
ELE On-Costs		723	21	675	22
Sub Total - Aggregate Employee Benefits		9,763	402	9,112	401
Public Liability Claims		101	32	99	55
Total Provisions		9,864	434	9,211	456
Total Payables, Borrowings & Provisions		25,465	63,181	29,692	39,044

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	128	4	113	3
Liabilities relating to externally restricted assets	128	4	113	3
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	128	4	113	3

¹ Loans are secured over the General Rating Income of Council

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	7,708	7,137
Payables - Security Bonds, Deposits & Retentions	3,523	3,580
	11,231	10,717

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	2,563	1,966	(1,827)	-	-	2,702
Long Service Leave	6,144	733	(271)	-	-	6,606
Gratuities	109	4	-	-	-	113
ELE On-Costs	697	47	-	-	-	744
Other	154	(21)	-	-	-	133
TOTAL	9,667	2,729	(2,098)	-	-	10,298

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

b. Other provisions represent the provision of estimated Public Liability claims outstanding as at 30 June 2011.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,163	7,042
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,163	7,042
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		21,053	10,356
Adjust for non cash items:			
Depreciation & Amortisation		10,558	8,983
Net Losses/(Gains) on Disposal of Assets		(16,412)	(139)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(558)	(545)
- Investment Properties		550	-
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		743	752
Share of Net (Profits) or Losses of Associates/Joint Ventures		(9)	25
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(533)	(1,798)
Increase/(Decrease) in Provision for Doubtful Debts		169	1
Decrease/(Increase) in Inventories		5	4
Decrease/(Increase) in Other Assets		(237)	1,005
Increase/(Decrease) in Payables		4,098	(1,184)
Increase/(Decrease) in accrued Interest Payable		293	(1)
Increase/(Decrease) in other accrued Expenses Payable		(6,986)	3,819
Increase/(Decrease) in Other Liabilities		(2,680)	328
Increase/(Decrease) in Employee Leave Entitlements		652	770
Increase/(Decrease) in Other Provisions		(21)	(69)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		10,685	22,307

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,200	1,200
Total Financing Arrangements		1,200	1,200
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
Total Financing Arrangements Utilised		-	-

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		11,551	54,555
Plant & Equipment		-	331
Other Structures		930	2,999
Other Assets		2,967	2,157
Carparks		793	-
Roads		484	-
Total Commitments		16,725	60,042
These expenditures are payable as follows:			
Within the next year		16,725	60,042
Total Payable		16,725	60,042
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		984	890
Future Grants & Contributions		-	181
Sect 64 & 94 Funds/Reserves		1,401	22
Unexpended Grants		1,634	1,295
Unexpended Loans		-	25,000
Other Reserves		11,488	32,654
Other Revenues		1,218	-
Total Sources of Funding		16,725	60,042
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		11,190	3,226
Cleaning Services		303	303
Audit Services		90	135
Other Maintenance Services		390	390
Concourse Venue Management		1,700	-
Total Commitments		13,673	4,054
These expenditures are payable as follows:			
Within the next year		5,668	3,964
Later than one year and not later than 5 years		8,005	90
Total Payable		13,673	4,054

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		1,034	1,044
Later than one year and not later than 5 years		1,817	2,404
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		2,851	3,448

b. Non Cancellable Operating Leases include the following assets:

Computer & other Plant & Equipment

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

Conditions relating to Operating Leases:

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

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

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

Within the next year		762	929
Later than one year and not later than 5 years		2,168	924
Later than 5 years		-	-
Total Payable		2,930	1,853

(g) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts	Indicator	Prior Periods	
	2011	2011	2010	2009
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>49,511</u>	3.51 : 1	2.90	6.51
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>14,106</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>3,918</u>	4.06%	3.36%	3.85%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>96,484</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>47,379</u>	43.51%	50.85%	50.56%
Income from Continuing Operations	<u>108,893</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,440</u>	2.95%	2.78%	3.00%
Rates, Annual & Extra Charges Collectible	<u>48,802</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>5,093</u>	66.51%	86.17%	77.07%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>7,658</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a)(i)

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

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

Willoughby City Council

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

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>7.66</td> </tr> <tr> <td>2009</td> <td>6.51</td> </tr> <tr> <td>2010</td> <td>2.90</td> </tr> <tr> <td>2011</td> <td>3.51</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	7.66	2009	6.51	2010	2.90	2011	3.51	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 3.51 : 1</p> <p>The Unrestricted Current Ratio increased from last year and remains above the accepted industry benchmark of 1.1</p>
Year	Ratio : 1											
2008	7.66											
2009	6.51											
2010	2.90											
2011	3.51											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>0.92%</td> </tr> <tr> <td>2009</td> <td>3.85%</td> </tr> <tr> <td>2010</td> <td>3.36%</td> </tr> <tr> <td>2011</td> <td>4.06%</td> </tr> </tbody> </table>	Year	Ratio %	2008	0.92%	2009	3.85%	2010	3.36%	2011	4.06%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 4.06%</p> <p>The debt service ratio increased from last year primarily due to taking out \$25M in new loan funds.</p>
Year	Ratio %											
2008	0.92%											
2009	3.85%											
2010	3.36%											
2011	4.06%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>26.75%</td> </tr> <tr> <td>2009</td> <td>50.56%</td> </tr> <tr> <td>2010</td> <td>50.85%</td> </tr> <tr> <td>2011</td> <td>43.51%</td> </tr> </tbody> </table>	Year	Ratio %	2008	26.75%	2009	50.56%	2010	50.85%	2011	43.51%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 43.51%</p> <p>The ratio has decreased as a result of a property sale.</p>
Year	Ratio %											
2008	26.75%											
2009	50.56%											
2010	50.85%											
2011	43.51%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>2.46%</td> </tr> <tr> <td>2009</td> <td>3.00%</td> </tr> <tr> <td>2010</td> <td>2.78%</td> </tr> <tr> <td>2011</td> <td>2.95%</td> </tr> </tbody> </table>	Year	Ratio %	2008	2.46%	2009	3.00%	2010	2.78%	2011	2.95%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 2.95%</p> <p>The ratio has increased over the past 12 months but remains below the accepted benchmark of 5%.</p>
Year	Ratio %											
2008	2.46%											
2009	3.00%											
2010	2.78%											
2011	2.95%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>48.34%</td> </tr> <tr> <td>2009</td> <td>77.07%</td> </tr> <tr> <td>2010</td> <td>86.17%</td> </tr> <tr> <td>2011</td> <td>66.51%</td> </tr> </tbody> </table>	Year	Ratio %	2008	48.34%	2009	77.07%	2010	86.17%	2011	66.51%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 66.51%</p> <p>The ratio has decreased over the past 12 months due to the increase in depreciation of infrastructure assets.</p>
Year	Ratio %											
2008	48.34%											
2009	77.07%											
2010	86.17%											
2011	66.51%											

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	n/a	n/a	3.51 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
Debt Service Cost	n/a	n/a	4.06%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	n.a	n/a	43.51%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	n/a	n/a	2.95%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	n/a	n/a	66.51%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Note: Willoughby City Council does not operate a Water or Sewerage Fund.

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
Investment Properties on Hand		8,150	8,700
Reconciliation of Annual Movement:			
Opening Balance		8,700	-
- Net Gain/(Loss) from Fair Value Adjustments		(550)	-
- Transfers from/(to) Owner Occupied (Note 9)		-	8,700
CLOSING BALANCE - INVESTMENT PROPERTIES		8,150	8,700

(b) Valuation Basis

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

The 2011 revaluations were based on Independent Assessments made by:
Daniel Atherton - Registered Valuer B Bus (R, E & Dev) GAPI - APV Valuers and Asset Management

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	620	224
Later than 1 year but less than 5 years	2,844	368
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	3,464	592

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	409	161
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(195)	(128)
Net Revenue Contribution from Investment Properties	214	33
plus: Fair Value Movement for year	(550)	-
Total Income attributable to Investment Properties	(336)	33

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	11,163	7,042	11,163	7,042
Investments				
- "Designated At Fair Value on Initial Recognition"	11,309	25,156	11,309	25,156
- "Held to Maturity"	13,000	27,461	13,000	27,461
Receivables	29,098	6,230	7,213	6,230
Total Financial Assets	64,570	65,889	42,685	65,889
Financial Liabilities				
Payables	15,487	17,824	15,487	17,824
Loans / Advances	62,689	38,135	62,689	38,135
Total Financial Liabilities	78,176	55,959	78,176	55,959

Fair Value is determined as follows:

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	11,309	-	-	11,309
- "Held to Maturity"	13,000	-	-	13,000
Total Financial Assets	24,309	-	-	24,309
Financial Liabilities				
- Loans	62,689	-	-	62,689
Total Financial Liabilities	62,689	-	-	62,689
2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	25,156	-	-	25,156
- "Held to Maturity"	27,461	-	-	27,461
Total Financial Assets	52,617	-	-	52,617
Financial Liabilities				
- Loans	38,135	-	-	38,135
Total Financial Liabilities	38,135	-	-	38,135

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	1,131	1,131	(1,131)	(1,131)
Possible impact of a 1% movement in Interest Rates	242	242	(242)	(242)
2010				
Possible impact of a 10% movement in Market Values	2,516	2,516	(2,516)	(2,516)
Possible impact of a 1% movement in Interest Rates	345	345	(345)	(345)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	24,997	-	2,703
Past due by up to 30 days	-	942	-	821
Past due between 31 and 180 days	676	455	589	500
Past due between 181 and 365 days	554	1,282	481	912
Past due by more than 1 year	379	-	242	-
	1,609	27,676	1,312	4,936
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			18	17
+ new provisions recognised during the year			169	1
Balance at the end of the year			187	18

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity		payable in:					Total Cash Outflows	Actual Carrying Values
			≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs		
2011									
Trade/Other Payables	5,128	10,359	-	-	-	-	-	15,487	15,487
Loans & Advances	-	4,384	4,422	4,460	6,367	16,137	92,021	127,791	62,689
Total Financial Liabilities	5,128	14,743	4,422	4,460	6,367	16,137	92,021	143,278	78,176
2010									
Trade/Other Payables	5,082	12,742	-	-	-	-	-	17,824	17,824
Loans & Advances	-	2,459	2,496	2,533	2,571	2,610	85,211	97,880	38,135
Total Financial Liabilities	5,082	15,201	2,496	2,533	2,571	2,610	85,211	115,704	55,959

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	15,487	0.0%	17,824	0.0%
Loans & Advances - Fixed Interest Rate	16,464	6.3%	9,107	5.6%
Loans & Advances - Variable Interest Rate	46,225	4.5%	29,028	3.4%
	<u>78,176</u>		<u>55,959</u>	

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 15 June 2011.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	47,600	47,379	(221)	(0%)	U
User Charges & Fees	18,042	15,781	(2,261)	(13%)	U
The Budget for Property Leases and Venue Hire \$4.862M has been included in User Fees and Charges whereas the Income was allocated to Other Revenues.					
Interest & Investment Revenue	3,149	3,893	744	24%	F
Extra Interest Revenue was generated by Investing Loan Funds of \$25M during the year.					
Other Revenues	4,492	10,906	6,414	143%	F
The Budget for Property Leases and Venue Hire \$4.862M has been included in User Fees and Charges whereas the Expenditure was charged to Other Revenues. Council also received an accessible deposit of \$3M.					
Operating Grants & Contributions	5,803	7,455	1,652	28%	F
In many instances the actual amount of grants received depends on decisions made by State and Federal Governments after the budget is adopted. A number of grants were received that were not included in the original budget.					
Capital Grants & Contributions	1,530	7,058	5,528	361%	F
The amount received for S94 Contributions was higher than budgetted for this Financial year as were grants and contributions received from State and Federal Governmnet bodies.					
Net Gains from Disposal of Assets	6,635	16,412	9,777	147%	F
The Original Budget for the sale of the Thomas Street Carpark was lower than what was actually realised.					

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----	
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REVENUES (continued)

Share of Net Profits - Joint Ventures & Associates	-	9	9	0%	F
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The budget for the Shorelink Library Joint Venture is reflected in the expenses from ordinary activities.

A better Financial result was achieved by the Shorelink Library Joint Venture resulting in a positive result for the 2010/2011 year.

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----	
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EXPENSES

Employee Benefits & On-Costs	36,421	36,305	116	0%	F
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Borrowing Costs	3,233	3,472	(239)	(7%)	U
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Materials & Contracts	23,914	26,811	(2,897)	(12%)	U
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The allocation of original budget to other expenditure types occurred in a significant number of cases.

The actual expenditure has been allocated in materials and contracts.

In particular, property, drainage and open space expenditure has been accounted for incorrectly as recurrent expenditure as opposed to the original budget type of capital expenditure.

Depreciation & Amortisation	9,690	10,558	(868)	(9%)	U
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Other Expenses	9,469	10,694	(1,225)	(13%)	U
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The Budget for the Concourse Venue Management was allocated against Materials and Contracts.

The cost of street lighting was over budget by \$286K as a result of power increases. The Parking Levy was over budget by \$200K as a result of payment for leased parking spaces.

Share of Net Losses - Joint Ventures & Associate:	5	-	5	100%	F
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A better Financial result was achieved by the Shorelink Library Joint Venture resulting in a positive result for the 2010/2011 year.

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	291	17	-	2	(208)	-	102	1,687	(1,667)	122	-
Roads	2,374	-	-	35	(192)	-	2,217	-	(680)	1,537	900
Traffic Facilities	39	192	-	3	-	-	234	23,327	(26,022)	(2,461)	-
Parking	659	154	-	12	(22)	-	803	23,141	(33,321)	(9,377)	358
Open Space	(1)	3,775	-	54	(326)	-	3,502	10,756	(8,446)	5,812	-
Community Facilities	1,984	719	-	37	(306)	-	2,434	6,062	(7,346)	1,150	1,172
Child Care	4,210	508	-	73	-	-	4,791	(245)	(5,835)	(1,289)	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	9,556	5,365	-	216	(1,054)	-	14,083	64,728	(83,317)	(4,506)	2,430
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	9,556	5,365	-	216	(1,054)	-	14,083				2,430
S94 not under Plans	23	-	-	-	-	-	23	-	-	23	(2,430)
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	-	-	-	-	-	-	-				
Total Contributions	9,579	5,365	-	216	(1,054)	-	14,106	64,728	(83,317)	(4,483)	-

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - WILLOUGHBY CITY COUNCIL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	291	17	-	2	(208)	-	102	1,687	(1,667)	122	-
Roads	2,374	-	-	35	(192)	-	2,217	-	(680)	1,537	900
Traffic Facilities	39	192	-	3	-	-	234	23,327	(26,022)	(2,461)	-
Parking	659	154	-	12	(22)	-	803	23,141	(33,321)	(9,377)	358
Open Space	(1)	3,775	-	54	(326)	-	3,502	10,756	(8,446)	5,812	-
Community Facilities	1,984	719	-	37	(306)	-	2,434	6,062	(7,346)	1,150	1,172
Child Care	4,210	508	-	73	-	-	4,791	(245)	(5,835)	(1,289)	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total	9,556	5,365	-	216	(1,054)	-	14,083	64,728	(83,317)	(4,506)	2,430

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	21	-	-	-	-	-	21	-	-	21	732
Parking	2	-	-	-	-	-	2	-	-	2	(3,162)
Total	23	-	-	-	-	-	23	-	-	23	(2,430)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

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

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

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

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

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

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

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

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

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

(iv) Legal Expenses

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

At the date of these reports, Council had notice of 3 appeals against planning decisions made prior to the reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

ASSETS NOT RECOGNISED:

(i) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

ASSETS NOT RECOGNISED:

(ii) Land Under Roads

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

(iii) The Concourse

The Concourse site is arguably the most valuable public land owned by Willoughby City Council.

Due to the pressing need for a new library, public facilities, open space and the Community's desire to undertake long term planning for the site, Council identified the Civic Place project as a high priority.

A masterplan was prepared by Council over a 3 year period from 2000 to 2003 and was publicly exhibited. from April 2003 to March 2004.

The masterplan included both staging and financial plans to show that the concept proposal in the master plan as exhibited was within Council's financial capacity.

During the 2008/2009 year Council demolished the existing structures and in June 2008 accepted a fixed price tender for the Civic Place main works. Work commenced in July 2008 and progressed well during 2008/2009 and 2009/2010.

In November 2009, Council resolved to re-brand Civic Place as "The Concourse" in order to reposition the site as a destination with marketing of the performance spaces and venues.

Construction is progressing within program and budget and practical completion and handover of the site is to occur on July 14 2011 with the official opening on September 17 2011.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & 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 Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b)(i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Associated Entities	-	-	-	-
Joint Venture Entities	9	(25)	52	43
Total	9	(25)	52	43

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2011	2010
Shorelink Library Network	Public Library Services	52	43
Total Carrying Amounts - Joint Venture Entities		52	43

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2011	2010	2011	2010	2011	2010
Shorelink Library Network	31%	31%	24%	24%	24%	24%

(c) Movement in Carrying Amounts

	Shorelink Library Network	
	2011	2010
Opening Balance	43	68
Share in Operating Result	9	(25)
Councils Equity Share in the Joint Venture Entity	52	43

(d) Share of JV Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2011					
Shorelink Library Network	57	8	13	-	52
Totals	57	8	13	-	52
2010					
Shorelink Library Network	47	7	11	-	43
Totals	47	7	11	-	43

(e) Share of Joint Ventures Revenues, Expenses & Results

	2011			2010		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	189	180	9	169	194	(25)
Totals	189	180	9	169	194	(25)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

19(b) Associated Entities & Joint Venture Entities (continued)

(f) Share of Joint Venture Entities Expenditure Commitments	2011	2010
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
(g) Contingent Liabilities of Joint Venture Entities	2011	2010
Share of Contingent Liabilities incurred jointly with other Participants	-	-
Share of Contingent Liabilities for which Council is severally liable	-	-

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		2,352,141	2,210,961
a. Correction of Prior Period Errors	20 (c)	8,204	130,824
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		21,053	10,356
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		<u>2,381,398</u>	<u>2,352,141</u>

b. Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	276,236	205,003
Total	<u>276,236</u>	<u>205,003</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	205,003	188,083
- Revaluations for the year	9(a) 71,233	16,920
- Balance at End of Year	<u>276,236</u>	<u>205,003</u>
TOTAL VALUE OF RESERVES	<u>276,236</u>	<u>205,003</u>

(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

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

Correction of errors - Initiated in 2010/2011 Financial statements

- (i) During the year end process it was discovered that a number of categories included assets that were in the books that should have written off in previous years and others that should have been added to the assets inventory. These have been summarised below:

These amounted to the following Equity Adjustments (Via Note 9a):

Land Operating	38,602
Buildings Specialised	6
Land Improvements	(17,836)
Other Structures	(480)
Roads and Bridges	912
Impairment of Operating Land	(13,000)
	<u>8,204</u>

Correction of Errors - initiated in the 09/10 financial statements

- (i) An amount of \$556K was expensed in 08/09 when it should have been capitalised that year.

As a result, adjustments were made to Specialised Buildings (Note 9) and Contractor Expenses (Note 4) in the 2008/2009 comparatives.

556

- (ii) Council had not previously reassessed the useful lives of its Roads, Drainage, Bridges and Stormwater assets and as a result it was found that depreciation had been overstated

A revaluation exercise in the 2010 year identified this error and an adjustment has been made against the current year balances of IPPE and retained earnings to correct the errors due to the impracticality of restating the prior year comparatives.

These amounted to the following Equity Adjustments (via Note 9a):

Road depreciation overstated	120,258
Drainage depreciation overstated	10,010
	<u>130,824</u>

d. Voluntary Changes in Accounting Policies

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Council operates a General Fund only.

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

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	1,525	-	8,120	-
Carparks	-	-	469	-
Total Non Current Assets "Held for Sale"	1,525	-	8,589	-
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>1,525</u>	<u>-</u>	<u>8,589</u>	<u>-</u>

(ii) Details of Assets & Disposal Groups

The State Government is compulsory acquiring two parcels of land but compensation is yet to be settled on.

\$ '000	Assets "Held for Sale"		Disposal Groups	
	2011	2010	2011	2010
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	8,589	8,589	-	-
less: Carrying Value of Assets/Operations Sold	-	-	-	-
Balance still unsold after 12 months:	8,589	8,589	-	-
less: Assets no longer classified as "Held for Sale"	(7,064)	-	-	-
Closing Balance of "Held for Sale" Non Current Assets & Operations	<u>1,525</u>	<u>8,589</u>	<u>-</u>	<u>-</u>

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 23. Events occurring after Balance Sheet Date

\$ '000

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

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

Accordingly, the "authorised for issue" date is 11/10/11.

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

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

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

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

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

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review (continued)

\$ '000

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

Financial Performance Figures	2011	2010	2009	2008	2007
Inflows:					
Rates & Annual Charges Revenue	47,379	45,849	43,345	39,807	38,088
User Charges Revenue	15,781	14,910	13,521	14,419	9,567
Interest & Investment Revenue (Losses)	3,893	5,541	8,291	-	3,142
Grants Income - Operating & Capital	7,882	7,273	7,553	5,544	4,549
Total Income from Continuing Operations	108,893	90,162	85,728	148,805	72,051
Sale Proceeds from I,PP&E	2,978	501	15,613	87,315	7,664
New Loan Borrowings & Advances	25,000	3,300	-	30,000	-
Outflows:					
Employee Benefits & On-cost Expenses	36,305	34,268	32,222	31,045	27,266
Borrowing Costs	3,472	1,938	2,289	760	213
Materials & Contracts Expenses	26,811	24,771	24,317	23,434	18,571
Total Expenses from Continuing Operations	87,840	79,806	77,143	84,506	74,266
Total Cash purchases of I,PP&E	62,219	82,449	68,646	22,894	21,716
Total Loan Repayments (incl. Finance Leases)	1,189	756	726	515	311
Operating Surplus/(Deficit) (excl. Capital Income)	13,995	4,472	4,427	57,957	(4,999)
Financial Position Figures	2011	2010	2009	2008	2007
Current Assets	55,161	54,870	96,679	104,259	71,711
Current Liabilities	25,465	29,692	25,063	23,051	19,929
Net Current Assets	29,696	25,178	71,616	81,208	51,782
Available Working Capital (Unrestricted Net Current Assets)	18,980	2,906	34,642	29,189	19,755
Cash & Investments - Unrestricted	2,499	7,614	36,454	30,078	7,065
Cash & Investments - Internal Restrictions	16,264	39,833	69,344	104,682	21,929
Cash & Investments - Total	35,472	59,659	116,211	152,717	46,179
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	62,689	38,135	34,839	34,455	4,970
Total Value of I,PP&E (excl. Land & Earthworks)	749,807	730,872	654,030	588,573	582,206
Total Accumulated Depreciation	150,908	152,755	270,556	263,649	292,993
Indicative Remaining Useful Life (as a % of GBV)	80%	79%	59%	55%	50%

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 28. Council Information & Contact Details

Principal Place of Business:

31 Victor Street
Chatswood NSW 2067

Contact Details**Mailing Address:**

PO Box 57
Chatswood NSW 2057

Opening Hours:

Monday to Friday, 8:30am to 5:00pm

Telephone: 02 9777 1000

Facsimile: 02 9411 8309

Internet: www.willoughby.nsw.gov.au

Email: email@willoughby.nsw.gov.au

Officers**GENERAL MANAGER**

Nick Tobin

RESPONSIBLE ACCOUNTING OFFICER

Tony Pizzuto

PUBLIC OFFICER

Jeff Knight

AUDITORS

PricewaterhouseCoopers

Elected Members**MAYOR**

Pat Reilly

COUNCILLORS

Wendy Norton

Judith Rutherford

Robert Wilson

Adrian Cox

John Hooper

Gail Giles-Gidney

Stuart Coppock

Barry Thompson

Kate Lamb

Lynne Saville

Terry Fogarty

Mandy Stevens

Other Information

ABN: 47 974 826 099



**Willoughby City Council
Independent Audit Report to the Council
(Section 417(2) – report on the general purpose financial report)**

Scope

We have audited the financial report of **Willoughby City Council** for the financial year ended 30 June 2011 as set out on pages 1 to 15. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements, nor to the projections in Note 17, or to the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

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

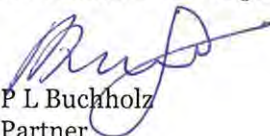
The audit opinion expressed in this report has been formed on the above basis.

Audit 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.
- (b) The Council's financial report:
 - (i) has been properly prepared in accordance with the requirements of this Division
 - (ii) is consistent with the Council's accounting records
 - (iii) present fairly the Council's financial position and the results of its operations, and
 - (iv) is in accordance with applicable Accounting Standards.
- (c) All information relevant to the conduct of the audit has been obtained.
- (d) There are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.


PricewaterhouseCoopers


P L Buchholz
Partner

11 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
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Liability limited by a scheme approved under Professional Standards Legislation.



The Mayor
Councillor P Reilly
Willoughby City Council
31 Victor Street
CHATSWOOD NSW 2067

Dear Councillor Reilly

Report on the conduct of the audit for year ended 30 June 2011 – Section 417(3)

We have completed our audit of the financial reports of Willoughby Council for the year ended 30 June 2011 in accordance with Section 415 of the Local Government Act, 1993.

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

The financial reports were completed and audited within four months of the end of the financial period as required by Section 416(1) of the Local Government Act, 1993.

Flowing from our audit there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

Operating Result

Council's operating surplus increased from \$10.4 million to \$21.1 million during the period under review. The result before capital items was a surplus of \$14 million up from \$4.5 million in the previous year. Higher profit on asset sales (up \$16 million) contributed to this improvement.

Cash Position

Council's overall cash position declined from \$60 million to \$35 million during the period under review. The following table highlights the composition of cash.

	June 2011 \$m	June 2010 \$m
Externally restricted	17	12
Internally restricted	16	40
Unrestricted	2	8
Total	35	60

Internal restrictions (reserves) and unrestricted cash declined as funds were utilised for the Concourse project.

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Working Capital

Council’s net current assets declined from \$25 million to \$16 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council’s available working capital.

	June 2011 \$m	June 2010 \$m
Net current assets	30	25
Less:		
External restrictions	5	-
Internal restrictions	16	32
	9	(7)
Add:		
Current Liabilities not expected to be settled in next 12 months	11	11
Available Working Capital	20	4

The effective unrestricted or available working capital upon which Council could build its 2011/12 budget upon was \$20 million.

Performance Indicators

The financial reports disclose a number of indicators in Note 13 and these are detailed below:

	June 2011 %	June 2010 %
Unrestricted current ratio	351	290
Debt service ratio	4.06	3.36
Rate coverage ratio	44	51
Rates outstanding ratio	2.95	2.78
Asset renewals ratio	67	86

The Unrestricted Current Ratio improved and was well above the accepted benchmark for the industry of 100%.

The Debt Service Ratio increased to 4.06% of revenue but remained well below the industry benchmark of 10%.

The Rate Coverage Ratio declined to 44% of total revenue due to the increased profit on asset sales (up \$16 million).

The Rates Outstanding Ratio increased during the period but remains better than the accepted industry benchmark of 5%.

The Asset Renewal Ratio indicates that Council is renewing assets at 67% of the rate at which they are depreciating.

Council is considered to be in a sound and stable financial position. All indicators stand better than accepted industry benchmarks.



Revaluations

Council revalued its Community land in accordance with the Division of Local Government's revaluation program resulting in a credit of \$71 million to the Asset Revaluation Reserve.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner.

We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully


PricewaterhouseCoopers


P L Buchholz
Partner
Sydney
11 October 2011

Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*“...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles.”*



Willoughby City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	n/a
- Income Statement of Sewerage Business Activity	n/a
- Income Statement of Other Business Activities	3
- Balance Sheet of Water Supply Business Activity	n/a
- Balance Sheet of Sewerage Business Activity	n/a
- Balance Sheet of Other Business Activities	7
3. Notes to the Special Purpose Financial Statements	11
4. Auditor's Report	15

Background

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

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

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

Willoughby City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.

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

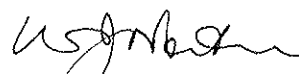
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 10 October 2011.



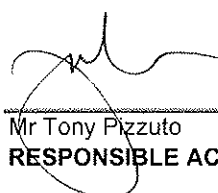
Councillor Pat Reilly
MAYOR



Councillor Wendy Norton
DEPUTY MAYOR



Mr Nick Tobin
GENERAL MANAGER



Mr Tony Pizzuto
RESPONSIBLE ACCOUNTING OFFICER

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Willoughby Leisure Centre	
	Actual 2011	Actual 2010
	Category 1	
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	2,273	2,106
Interest	-	-
Grants and contributions provided for non capital purposes	10	-
Profit from the sale of assets	-	-
Other income	832	828
Total income from continuing operations	3,115	2,934
Expenses from continuing operations		
Employee benefits and on-costs	1,905	1,732
Borrowing costs	-	-
Materials and contracts	447	407
Depreciation and impairment	49	30
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	647	791
Total expenses from continuing operations	3,048	2,960
Surplus (deficit) from Continuing Operations before capital amounts	67	(26)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	67	(26)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	67	(26)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(20)	-
SURPLUS (DEFICIT) AFTER TAX	47	(26)
plus Opening Retained Profits	(524)	(498)
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	20	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(457)	(524)
Return on Capital %	0.7%	-0.3%
Subsidy from Council	425	510

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Devonshire Child Care		Family Day Care	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
	Category 2		Category 2	
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	954	938	171	173
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	185	151	423	409
Profit from the sale of assets	-	-	-	-
Other income	-	2	6	4
Total income from continuing operations	1,139	1,091	600	586
Expenses from continuing operations				
Employee benefits and on-costs	813	864	300	252
Borrowing costs	-	-	-	-
Materials and contracts	106	102	13	13
Depreciation and impairment	8	13	8	9
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	335	292	359	360
Total expenses from continuing operations	1,262	1,271	680	634
Surplus (deficit) from Continuing Operations before capital amounts	(123)	(180)	(80)	(48)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(123)	(180)	(80)	(48)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(123)	(180)	(80)	(48)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(123)	(180)	(80)	(48)
plus Opening Retained Profits	(1,293)	(1,113)	(967)	(919)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(1,416)	(1,293)	(1,047)	(967)
Return on Capital %	-11.3%	-16.4%	-84.2%	-46.6%
Subsidy from Council	180	236	85	53

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Before/After School Care		Constant Companion	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
	Category 2		Category 2	
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	817	737	324	324
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	187	150	126	111
Profit from the sale of assets	-	-	-	-
Other income	1	-	7	6
Total income from continuing operations	1,005	887	457	441
Expenses from continuing operations				
Employee benefits and on-costs	594	589	273	251
Borrowing costs	-	-	-	-
Materials and contracts	53	54	79	127
Depreciation and impairment	-	-	3	18
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	178	174	78	93
Total expenses from continuing operations	825	817	433	489
Surplus (deficit) from Continuing Operations before capital amounts	180	70	24	(48)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	180	70	24	(48)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	180	70	24	(48)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(54)	(21)	(7)	-
SURPLUS (DEFICIT) AFTER TAX	126	49	17	(48)
plus Opening Retained Profits	(698)	(768)	(459)	(411)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	54	21	7	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(518)	(698)	(435)	(459)
Return on Capital %	n/a	n/a	266.7%	-400.0%
Subsidy from Council	-	-	-	49

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Dougherty Food Services		Artarmon Child Care	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
	Category 2		Category 2	
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	120	146	436	351
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	77	77	115	139
Total income from continuing operations	197	223	551	490
Expenses from continuing operations				
Employee benefits and on-costs	196	169	450	444
Borrowing costs	-	-	-	-
Materials and contracts	87	85	37	32
Depreciation and impairment	2	3	9	3
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	42	41	170	153
Total expenses from continuing operations	327	298	666	632
Surplus (deficit) from Continuing Operations before capital amounts	(130)	(75)	(115)	(142)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(130)	(75)	(115)	(142)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(130)	(75)	(115)	(142)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(130)	(75)	(115)	(142)
plus Opening Retained Profits	(714)	(639)	(931)	(789)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(844)	(714)	(1,046)	(931)
Return on Capital %	-20.6%	-11.8%	-43.4%	-51.8%
Subsidy from Council	163	107	129	156

Willoughby City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Willoughby Leisure Centre Category 1	
	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	324	258
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	324	258
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	9,450	9,499
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	9,450	9,499
TOTAL ASSETS	9,774	9,757
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,546	1,227
Interest bearing liabilities	8,591	8,962
Provisions	47	46
Total Current Liabilities	10,184	10,235
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	47	46
Other Liabilities	-	-
Total Non-Current Liabilities	47	46
TOTAL LIABILITIES	10,231	10,281
NET ASSETS	(457)	(524)
EQUITY		
Retained earnings	(457)	(524)
Revaluation reserves	-	-
Council equity interest	(457)	(524)
Minority equity interest	-	-
TOTAL EQUITY	(457)	(524)

Willoughby City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Devonshire Child Care Category 2		Family Day Care Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	224	123	477	329
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	1,090	1,099	95	103
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,314	1,222	572	432
TOTAL ASSETS	1,314	1,222	572	432
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	2,492	2,193	1,519	1,254
Interest bearing liabilities	8	112	30	85
Provisions	114	103	27	22
Total Current Liabilities	2,614	2,408	1,576	1,361
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	116	107	43	38
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	116	107	43	38
TOTAL LIABILITIES	2,730	2,515	1,619	1,399
NET ASSETS	(1,416)	(1,293)	(1,047)	(967)
EQUITY				
Retained earnings	(1,416)	(1,293)	(1,047)	(967)
Revaluation reserves	-	-	-	-
Council equity interest	(1,416)	(1,293)	(1,047)	(967)
Minority equity interest	-	-	-	-
TOTAL EQUITY	(1,416)	(1,293)	(1,047)	(967)

Willoughby City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Before/After School Care Category 2		Constant Companion Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	16	40
Receivables	-	-	370	254
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	386	294
Non-Current Assets				
Investments	893	559	-	-
Receivables	53	33	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	9	12
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	946	592	9	12
TOTAL ASSETS	946	592	395	306
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	1,302	1,144	725	675
Interest bearing liabilities	-	-	-	-
Provisions	80	72	48	40
Total Current Liabilities	1,382	1,216	773	715
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	82	74	57	50
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	82	74	57	50
TOTAL LIABILITIES	1,464	1,290	830	765
NET ASSETS	(518)	(698)	(435)	(459)
EQUITY				
Retained earnings	(518)	(698)	(435)	(459)
Revaluation reserves	-	-	-	-
Council equity interest	(518)	(698)	(435)	(459)
Minority equity interest	-	-	-	-
TOTAL EQUITY	(518)	(698)	(435)	(459)

Willoughby City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Dougherty Food Services Category 2		Artarmon Child Care Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	81	70
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	631	633	265	274
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	568	488	-	-
Total Non-Current Assets	1,199	1,121	346	344
TOTAL ASSETS	1,199	1,121	346	344
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	342	322	1,109	966
Interest bearing liabilities	1,644	1,459	139	178
Provisions	18	17	56	50
Total Current Liabilities	2,004	1,798	1,304	1,194
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	39	37	86	80
Other Liabilities	-	-	2	1
Total Non-Current Liabilities	39	37	88	81
TOTAL LIABILITIES	2,043	1,835	1,392	1,275
NET ASSETS	(844)	(714)	(1,046)	(931)
EQUITY				
Retained earnings	(844)	(714)	(1,046)	(931)
Revaluation reserves	-	-	-	-
Council equity interest	(844)	(714)	(1,046)	(931)
Minority equity interest	-	-	-	-
TOTAL EQUITY	(844)	(714)	(1,046)	(931)

Willoughby City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	12
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

Willoughby City Council

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Willoughby Leisure Centre

Provision of leisure facilities including a Gymnasium & Pool. A council owned facility previously managed by a private company.

Category 2

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

a. Devonshire Street Child Care Centre

Provision of long day child care services for up to 50 places at its premises situated at 38 Devonshire St, Chatswood, from 7.30am to 6.00pm.

b. Family Day Care

Provision of Day care services for children in need of care from ages 0-12 years at a registered carers home.

c. Before/After School Care/Vacation Care

Provision of Before & After School care for children at the following centres:

- Artarmon (BSC & ASC)
- Chatswood (BSC & ASC)
- Naremburn (ASC)

Before school care hours are from 7.30am to 9.00am and after school care hours are from 3.00pm to 6.00pm.

In addition, Council in conjunction with the State Government operates Vacation Care services at the following centres during school holidays:

Willoughby City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

- Artarmon Vacation Care Centre
- Bales Park Vacation Care Centre
- Chatswood Vacation Care Centre
- Beauchamp Park Vacation Care Centre

d. Constant Companion

A 24 hour, seven days a week emergency response service for the older, frail & disabled residents of the City.

e. Dougherty Food Services

Commercial food kitchen that supplies meals on a contract basis to a number of organisations as well as catering for functions and the operation of a coffee shop.

f. Artarmon Child Care Centre

Provision of long day child care services for up to 30 places at its premises situated at 3 Abbott Rd, Artarmon, from 7.30am to 6.00pm.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one 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 nominated business activities and are reflected in these financial statements.

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Willoughby City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

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

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

(iv) Dividends

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



**Willoughby City Council
Special Purpose Financial Report
Independent Auditors' Report**

Scope

We have audited the special purpose financial report of **Willoughby City Council** for the year ended 30 June 2011, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial report includes the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

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

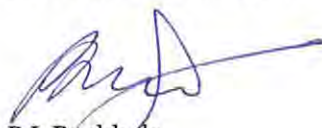
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial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

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

Audit opinion

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


PricewaterhouseCoopers


P L Buchholz
Partner

11 October 2011

Willoughby City Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

*“...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles.”*



Willoughby City Council

Special Schedules

for the financial year ended 30 June 2011

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	7

¹ Special Purpose Schedules are not audited.

Background

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

Willoughby City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,387	235	-	(1,152)
Administration	19,224	1,250	1,794	(16,180)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,385	10	-	(1,375)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	2,619	4,199	-	1,580
Animal Control	-	-	-	-
Other	100	-	-	(100)
Total Public Order & Safety	4,104	4,209	-	105
Health	916	1,160	100	344
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	4,201	96	-	(4,105)
Solid Waste Management	8,993	10,363	-	1,370
Street Cleaning	1,481	5	-	(1,476)
Drainage	2,614	34	-	(2,580)
Stormwater Management	502	680	705	883
Total Environment	17,791	11,178	705	(5,908)
Community Services and Education				
Administration & Education	1,800	421	-	(1,379)
Social Protection (Welfare)	424	245	-	(179)
Aged Persons and Disabled	826	918	-	92
Childrens Services	3,433	3,364	-	(69)
Total Community Services & Education	6,483	4,948	-	(1,535)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,160	181	-	(979)
Town Planning	3,361	1,316	-	(2,045)
Other Community Amenities	1,053	583	107	(363)
Total Housing and Community Amenities	5,574	2,080	107	(3,387)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Willoughby City Council

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

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	4,593	367	-	(4,226)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	920	449	-	(471)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	992	143	-	(849)
Sporting Grounds and Venues	2,527	526	781	(1,220)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	3,155	86	-	(3,069)
Other Sport and Recreation	6,118	4,122	1,786	(210)
Total Recreation and Culture	18,305	5,693	2,567	(10,045)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,320	387	-	(933)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,320	387	-	(933)
Transport and Communication				
Urban Roads (UR) - Local	6,598	3,165	-	(3,433)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	190	-	-	(190)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	1,948	3,889	-	1,941
Footpaths	2,386	-	-	(2,386)
Aerodromes	-	-	-	-
Other Transport & Communication	535	361	1,785	1,611
Total Transport and Communication	11,657	7,415	1,785	(2,457)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,079	20,830	-	19,751
Total Economic Affairs	1,079	20,830	-	19,751
Totals – Functions	87,840	59,385	7,058	(21,397)
General Purpose Revenues⁽²⁾		42,441		42,441
Share of interests - joint ventures & associates using the equity method	-	9		9
NET OPERATING RESULT⁽¹⁾	87,840	101,835	7,058	21,053

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

Willoughby City Council

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

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	529	5,321	5,850	25,000	703	-	-	1,686	807	29,340	30,147
Other	411	28,618	29,029	-	411	-	-	1,043	424	28,194	28,618
Total Loans	940	33,939	34,879	25,000	1,114	-	-	2,729	1,231	57,534	58,765
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	75	1,319	1,394	-	75	-	-	-	76	1,243	1,319
Total Long Term Debt	75	1,319	1,394	-	75	-	-	-	76	1,243	1,319
Total Debt	1,015	35,258	36,273	25,000	1,189	-	-	2,729	1,307	58,777	60,084

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

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

Willoughby City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	108,893	91,870	98,601	98,576	99,176
Expenses from continuing operations	87,840	90,693	96,397	99,038	101,943
Operating Result from Continuing Operations	<u>21,053</u>	<u>1,177</u>	<u>2,204</u>	<u>(462)</u>	<u>(2,767)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	55,237	12,453	2,902	2,718	2,326
Replacement/Refurbishment of Existing Assets	6,982	4,825	5,499	5,436	5,407
Total Capital Budget	<u>62,219</u>	<u>17,278</u>	<u>8,401</u>	<u>8,154</u>	<u>7,733</u>
Funded by:					
– Loans	25,000	-	-	-	-
– Asset sales	3,000	-	-	-	-
– Reserves	25,422	10,733	1,571	1,307	1,260
– Grants/Contributions	3,992	2,054	2,094	1,923	1,677
– Recurrent revenue	4,098	3,819	4,408	4,556	4,466
– Other	707	672	328	368	330
	<u>62,219</u>	<u>17,278</u>	<u>8,401</u>	<u>8,154</u>	<u>7,733</u>

Notes:

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.