



WYONG SHIRE COUNCIL

WYONG SHIRE COUNCIL
ORDINARY MEETING
ENCLOSURES

Wednesday, 10 June, 2009



WYONG SHIRE COUNCIL
ENCLOSURES TO THE
ORDINARY MEETING
TO BE HELD IN THE COUNCIL CHAMBER,
WYONG CIVIC CENTRE, HELY STREET, WYONG
ON WEDNESDAY, 10 JUNE 2009 ,
COMMENCING AT 5:00:00 PM

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GENERAL REPORTS

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Wyong Shire Council Water Supply Authority

General Purpose Financial Reports For the year ended 30 June 2008

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Wyong Shire Council Water Supply Authority

Financial Report for the year ended 30 June 2008

Statement by Councillors and Management

Pursuant to Section 41C (1B) and 1(C) of the Public Finance and Audit Act 1983 we state that:

1. The financial report presents a true and fair view of the financial position of the Wyong Shire Council Water Supply Authority as at 30 June 2008 and its performance, as represented by the results of its operations and its cash flows for the year ended on that date
2. The financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2005
3. We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial report to be misleading or inaccurate.

.....
Bob Graham

Mayor

.....
John McNamara

Councillor

.....
Kerry Yates

General Manager

.....
David Jack

Responsible Accounting Officer

Wyong Shire Council Water Supply Authority

Income Statement for the year ended 30 June 2008

	Notes	Actual 2008 \$'000	Actual 2007 \$'000
REVENUE FROM CONTINUING OPERATIONS			
Annual Charges	2(a)	29,445	27,658
User Charges & Fees	2(b)	16,196	14,534
Interest	2(c)	2,442	3,285
Other	2(d)	145	74
Grants & Contributions Operating	2(e&f)	2,074	1,363
Grants & Contributions Capital	2(e&f)	5,508	20,546
Revenues from ordinary activities		55,810	67,460
EXPENSES FROM CONTINUING OPERATIONS			
Employee Costs	3(a)	13,137	12,192
Borrowing Costs	3(b)	6,779	4,499
Materials and Contracts	3(c)	12,390	16,488
Depreciation	3(d)	25,618	14,403
Other	3(e)	21,842	24,304
Loss from the Disposal of Assets	4	1	231
Total expenses from ordinary activities		79,767	72,117
NET OPERATING RESULT FOR THE YEAR		(23,957)	(4,657)

Wyong Shire Council Water Supply Authority

Balance Sheet for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CURRENT ASSETS			
Cash & Cash Equivalents	5	2,197	29
Investments	5	43,098	36,885
Receivables	6	16,477	14,882
Inventories	7	363	374
Other	7	-	22
TOTAL CURRENT ASSETS		<u>62,135</u>	<u>52,192</u>
NON - CURRENT ASSETS			
Receivables	6	747	767
Intangible Assets	16	1,430	1,677
Infrastructure, Property, Plant and Equipment	8	995,032	959,829
TOTAL NON - CURRENT ASSETS		<u>997,209</u>	<u>962,273</u>
TOTAL ASSETS		1,059,344	1,014,465
CURRENT LIABILITIES			
Payables	9	9,116	9,982
Borrowings	9	7,324	6,742
Provisions	9	4,369	4,661
TOTAL CURRENT LIABILITIES		<u>20,809</u>	<u>21,385</u>
NON - CURRENT LIABILITIES			
Payables	9		
Borrowings	9	111,058	82,774
Provisions	9	988	1,146
TOTAL NON - CURRENT LIABILITIES		<u>112,046</u>	<u>83,920</u>
TOTAL LIABILITIES		132,855	105,305
NET ASSETS		<u>926,489</u>	<u>909,160</u>
EQUITY			
Retained Earnings	15	626,630	650,930
Asset Revaluation Reserve	15	299,859	258,230
TOTAL EQUITY		<u>926,489</u>	<u>909,160</u>

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Wyong Shire Council Water Supply Authority
Statement of Changes in Equity
for the year ended 30 June 2008

	2008			2007						
	Retained Earnings \$'000s	Asset Revaluation Reserve \$'000s	Authority Equity Interests \$'000s	Outside Equity Interests \$'000s	Total Equity \$'000s	Retained Earnings \$'000s	Asset Revaluation Reserve \$'000s	Authority Equity Interests \$'000s	Outside Equity Interests \$'000s	Total Equity \$'000s
Balance at beginning of the reporting period	650,930	258,230	909,160	-	909,160	542,554	-	542,554	-	542,554
Transfers to/(from) Asset revaluation reserve	-	41,629	41,629	-	41,629	-	258,230	258,230	-	258,230
Correction of errors - adjustment to Accumulated Depreciation	-	-	-	-	-	113,383	-	113,383	-	113,383
Surplus/(Deficit) from Continuing operations	(23,957)	-	(23,957)	-	(23,957)	(4,657)	-	(4,657)	-	(4,657)
Dividend Payment	(343)	-	(343)	-	(343)	(350)	-	(350)	-	(350)
Balance at end of the reporting period	626,630	299,859	926,489	-	926,489	650,930	258,230	809,160	-	909,160

Wyong Shire Council – Water Supply Authority Financial Statements – 2007-2008

Wyong Shire Council Water Supply Authority

Cash Flow Statement for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		44,785	40,238
Interest		2,388	3,294
Grants provided by Government		3,758	3,196
Contributions and donations		2,855	4,112
Other		7,024	6,952
<u>Payments :</u>			
Employee Benefits & On-costs		(13,810)	(11,866)
Materials & contracts		(12,952)	(14,721)
Interest		(6,779)	(3,893)
Other		(25,793)	(32,698)
Net cash provided by (or used in) operating activities	10(b)	1,476	(5,386)
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts:</u>			
Sale of Investments		50,637	73,426
Sale of real estate assets			
Sale of infrastructure, property, plant & equipment			
Deferred debtors			
<u>Payments :</u>			
Purchase of investments		(56,850)	(60,282)
Purchase of infrastructure, property, plant and equipment		(21,618)	(33,791)
Purchase of real estate			
Loans to deferred debtors			
Net cash provided by (or used in) investing activities		(27,831)	(20,647)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts:</u>			
Borrowings		36,000	32,500
Advances			
<u>Payments :</u>			
Borrowings		(7,134)	(6,118)
Advances			
Finance leases			
Dividend Payment		(343)	(350)
Net cash provided by (or used in) financing activities		28,523	26,032
Net increase / (decrease) in cash held		2,168	(1)
Cash at beginning of reporting period		29	30
Cash at end of reporting period	10(a)	2,197	29

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 1 - Significant Accounting Policies

(a) The Water Supply Authority Reporting Entity

The consolidated water & sewerage funds and other entities through which the Water Authority controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

The following funds and entities have been consolidated in this financial report, Wyong Shire Council Water Supply Authority in respect of:

- o Water Supplies
- o Sewerage Services
- o Drainage

In the process of reporting on the Authority as a single unit, all transactions and balances between those funds and entities (for example, loans and transfers between funds) have been eliminated.

Wyong Shire Council is a statutory authority for water and sewerage under the Water Management Act 2000. The Water Supply Authority (WSA) is the entity through which Council exercises its statutory responsibilities. The authority is involved in the construction and maintenance of water, sewerage and stormwater drainage infrastructure, provision of water, sewerage and drainage services to the community, and charging the community for those services.

(b) Basis of Preparation

This Water Supply Authority financial report has been prepared in accordance with the Public Finance & Audit Act 1983, Australian equivalents to International Financial Reporting Standards (AIFRS), and other authoritative pronouncements of the Australian Accounting Standards Board.

Compliance with International Financial Reporting Standards

The Financial Statements and notes of the Water Supply Authority comply with Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical Accounting Estimates

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

Note 1 - Significant Accounting Policies (cont'd)

Nothing in these statements may be taken as an indication of liability to any person under any circumstance.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Annual charges

Annual charges are recognised as revenues when the WSA obtains control over the assets comprising these receipts.

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

A provision for doubtful debts on annual charges has not been established as unpaid charges represent a charge against an assessable property that will be recovered when the property is next sold.

Grants and Contributions

Grants and Contributions are recognised as income when the WSA obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the WSA and the amount of the contribution can be measured reliably.

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

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.

Where grants or contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the unused grant or contribution is disclosed in these Notes.

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

Contributions under Developer Service Plans

Contributions under Section 306 of the Water Management Act 2000 are levied in accordance with the various developer service plans. These service plans have been prepared in accordance with the methodology determined by the Independent Pricing and Regulatory Pricing Tribunal (IPART).

The following developer service plans have been adopted by the WSA and are available for public inspection free of charge.

Note 1 - Significant Accounting Policies (cont'd)**Section 306 Developer Service Plan Plan Number**

Wyong	1
South Lakes	2
The Entrance	3
Rural West	4
Ourimbah/Rural South	5
Toukley	6
Gorokan	7
San Remo	8
Budgewoi	9
Lake Munmorah	10
Manning Park	11
Gwandalan	12

The WSA also holds contributions obtained prior to the requirement to have developer service plans in place.

User charges and fees

The charging period and reporting period for the Water Authority coincide and, accordingly, all charges levied for the year are recognised as revenues.

A provision for doubtful debt is recognised when collection in full is no longer probable.

Sale of plant, property, infrastructure 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

Interest and 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.

(d) Leases

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

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 are charged to the income statement on a straight-line basis over the lease term.

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

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets acquired plus costs directly attributable to the acquisition.

Note 1 - Significant Accounting Policies (cont'd)

Assets with an economic life which is determined to be longer than one year are only capitalised where the cost of acquisition/construction exceeds materiality thresholds established by WSA for each type of asset. In determining such thresholds, regard is given to the nature of the asset and its estimated service life.

Examples of applicable monetary thresholds include water reticulation civil assets, \$20,000 or stand alone electrical or mechanical equipment \$5,000

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the 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 the WSA value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

(g) 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.

(h) Receivables

Receivables are recognised initially at original invoice amount, less provision for doubtful debts. Recognition at original invoice amount is adopted as this is not materially different to amortised cost, given the short term nature of these receivables. A provision is made for doubtful debts and reviewed at year end. Receivables are monitored during the year and bad debts are written off against the provision when they are determined to be irrecoverable.

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

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

(j) Investments and other financial assets

WSA classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The Authority does not hold, and never has held, any derivative financial assets. The classification of the Authority's financial assets depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Note 1 - Significant Accounting Policies (cont'd)**Financial assets at fair value through profit and loss**

Financial Assets at fair value are financial assets held for trading. The Authority classifies financial assets as Fair Value through profit and loss if the Authority intends to trade them before maturity with the purpose of generating a profit from fluctuations in price. These assets are classified as current assets.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included in current trade and other receivables except where the asset matures more than twelve months from balance date. In the latter case the asset is classified as a non-current trade and other receivable.

Held-to-Maturity

The Authority defines financial assets as held to maturity where amounts receivable are fixed or determinable and the Authority has a positive intention of holding the asset until maturity. If the Authority were to sell other than an insignificant amount of held to maturity investments, the whole category would be tainted and reclassified as available for sale. These assets are valued at amortised cost less any impairment losses. For investments carried at amortised cost, gains and losses are recognised in the Income Statement when the investments are derecognised or impaired as well as through the amortisation process. Held to maturity assets are included as non current assets except for those with maturities less than 12 months, which are classified as current assets.

Available for Sale assets

Investments are classified as Available for Sale either when so designated by the Authority or when an investment does not fall into any other category. This group typically includes equity securities and other instruments whose future cash flows are not fixed or determinable. Gains and losses are taken to a revaluation reserve rather than to the Income Statement. They are included in non-current assets unless the Authority intends to dispose of the asset within 12 months of the reporting date.

Fair values of quoted investments are based on current bid prices. If there is no active market for an investment asset valuation techniques are applied. Valuation techniques adopted by the Authority include discounting the value of known or estimable future cash flows, or comparison with a like security traded on an active market.

(k) Fair value estimation

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

The valuation of investments is described in the paragraph above.

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 WSA for similar financial instruments.

(l) Infrastructure, property, plant and equipment

At 30 June 2007 Water and Sewerage Infrastructure assets were revalued to fair value, in accordance with a timetable for the implementation of the provisions of AASB 116 mandated to Councils by the Department of Local Government.

Note 1 - Significant Accounting Policies (cont'd)

Land and buildings were revalued at fair value as at 30 June 2008.

Fair value is based on market value where an established market for the asset exists, or otherwise, the cost to construct a replacement, using latest available technology. The value of the asset as new is reduced by an amount to represent the accumulated depreciation of the existing asset.

Prior to revaluation date, all infrastructure, property, plant and equipment was stated at cost (or deemed cost) less depreciation. Adjustments were made to retained earnings to account for a re-estimate of accumulated depreciation and to correct the carrying values of some assets deemed to be held in the Joint Water scheme with Gosford.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to WSA 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.

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, making allowance, where appropriate, for residual values. The normal life expectancies of major asset categories are as follows.

Office equipment*	5	- 10	years
Office furniture*	10	- 20	years
Vehicles and road making equipment*	5	- 10	years
Other plant and equipment*	5	- 25	years
Drainage assets*	100		years
System buildings	20	- 80	years
Dams	200		years
Pipelines – above ground	140		years
Water Mains	65	- 140	years
Sewer Mains	55	- 130	years
Pump Stations – Civil component	100		years
Pump Stations – Other components	10	- 40	years
Reservoirs	150		years
Treatment Plants – Civil component	50		years
Treatment Plants – Other components	20		years

*Items marked * in the list are carried at historic cost in the balance sheet – the rest are at fair value.*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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

Note 1 - Significant Accounting Policies (cont'd)**(m) Payables**

Payables are recognised in the balance sheet at cost, which is considered to approximate amortised cost due to their short term nature. They are not discounted as the effect of discounting would not be material for these liabilities.

These amounts represent liabilities for goods and services provided to WSA prior to the end of the financial year which are unpaid. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

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

(n) Borrowings

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

Principal amounts falling due within 12 months after the end of the year are recognised as current liabilities.

Council has elected to expense all borrowing costs including those in respect of qualifying assets.

(o) Provisions

Provisions for legal claims are recognised when WSA 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.

(p) Employee Benefits**Salaries, Wages & Compensated Absences**

Liabilities for employees' entitlements to salaries and wages, annual leave, sick leave and long service leave expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts measured in accordance with AASB 119 Employee Benefits.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Superannuation

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

Note 1 - Significant Accounting Policies (cont'd)**Accumulation Fund Members**

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2007/08; 9% in 2006/07). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

On behalf of the Authority, Wyong Shire Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the fund. As such, assets accumulate in the fund to meet the members' benefits, as defined in the trust deed, as they accrue.

Employer contributions to defined benefit schemes represent less than 1% of the total value of superannuation contributions disclosed in note 3 (a).

The Local Government Superannuation Scheme – Pool B (The Scheme) is a defined benefit plan that has been deemed to be a "Multi – Employer Fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the scheme as a defined benefit plan, because the assets to the scheme are pooled together for all Councils. The amount of employer contributions to the defined benefit section of the Local Government Superannuation scheme and recognised as an expense for the year ending 30 June 2008 was \$4.268million. The last valuation found that the scheme's assets were \$3291.1million and its past service liabilities \$2980.3million, giving it a surplus of \$310.8million. The existence of this surplus has resulted in Councils contributing in 2007/2008 at half the normal level of contributions. The financial position is monitored annually and as a result of subsequent investment market conditions Councils will be required to contribute at the full 'notional' contribution rate from 1 July 2008.

(q) Self Insurance

WSA has determined to self-insure for various risks including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. WSA also maintains cash and investments to meet expected future claims.

(r) Goods and Services Tax

Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment. Amounts included in the Cash Flow Statement are disclosed on a gross basis.

(s) Rounding

All amounts shown in the Financial Statements are in Australian currency and have been rounded to the nearest thousand dollars unless otherwise indicated.

(t) Allocation between current and non-current

Assets or liabilities are considered to be current if they are expected to be settled within the next 12 months. 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.

(u) Impact of Native Title Claims

The WSA is not aware of any actual or potential native title claims that may have a material impact on the Authority's financial reports.

Note 1 - Significant Accounting Policies (cont'd)**(v) Joint Venture - Gosford/Wyong Joint Water Supply Scheme**

The Authority's interest in joint ventures has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint ventures within the relevant items reported in the balance sheet and income statement. The proportional consolidation method has been used to account for the Authority's interest in the joint venture. Information about the joint ventures is set out in the following notes.

(w) Supply of Water to General Operations

The Authority supplies water to the Wyong Shire Council General Fund for use on parks, gardens and reserves.

The Authority takes the view that supply of water in those circumstances is a community service obligation. Accordingly the appropriate revenue and donation expense is recognised in the accounts.

(x) Maintenance of Drainage Infrastructure

Drainage construction is funded by, and recorded as an asset of the Authority. The cost of maintaining these assets prior to 30 June 2002 was previously funded by Wyong Shire Council's General Fund. A review of the appropriateness of this arrangement was undertaken during 2002/2003 and as a result operating costs associated with these assets are now recognised as an expense of the Authority.

Part of this infrastructure services the road network throughout the Shire and an assessed contribution was received from the General Fund towards this expenditure.

(y) Other Assets

Wyong Shire Council (WSC) has acquired, on its own account and on behalf of the Water Supply Authority, and under a managed service arrangement, a licence to access information technology services. In conjunction with this contract WSC has incurred a number of costs including system build cost and software and hardware licenses, as well direct labour and material costs. These will give rise to future economic benefits. The WSA contribution to these costs has been capitalised as an intangible asset to be amortised over the period of the contract.

(z) Dividend for Tax Equivalents

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, published by the Department of Water & Energy, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business Activities. The payment of taxation equivalent charges is referred to in the Local Government Act 1993.

Achievement of substantial compliance with the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

A dividend payment of \$343,000 for the year ended June 30 2008 has been paid during the current financial year.

(aa) Dividend from Surplus

Council is not required to pay a dividend from surplus to either itself as owner of a range of businesses or to any external entities. Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply and sewerage business surplus.

Note 1 - Significant Accounting Policies (cont'd)

The dividend, calculated in accordance with the Best Practice Management Guidelines, must not exceed 50% of the surplus in any one year, or the number of water supply or sewerage assessments as at 30 June of the reporting year multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a dividend payment form, statement of compliance, unqualified independent financial audit report and a compliance audit report are submitted to the NSW Department of Water & Energy. No dividend from surpluses has been paid or provided during the year.

(bb) New Accounting Standards & UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2008 reporting period.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038*

The Authority is of the view that amendments to the following standards and their interpretations will affect amounts recognised in the financial statements, and that they may impact certain information disclosed. Council will adopt these amended standards as required

Revised AASB 123 *Borrowing costs* – removes the option to elect, requiring the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Council will adopt the revised standard from 1 July 2009. These changes will have a significant impact on the Financial Statements.

Revised AASB 101 *Presentation of Financial Statements* – requires prior period adjustments and reclassifications be presented in the form of a third balance sheet reporting at the beginning of the comparative period. Council will adopt the revised standard from 1 July 2009. These changes will not have a significant impact on the Financial Statements.

AASB 1051 *Land under Roads* – requires that Land under roads acquired after 30 June 2008 be recognised as assets. Council will adopt the revised standard from 1 July 2008. These changes will have a significant impact on the Financial Statements.

The Authority is of the view that compliance has been achieved on the amendments to the following standards and their interpretations and that these changes will not affect amounts recognised in the financial statements, and that they will not impact information disclosed as it complies with these changes.

AASB 1052 *Disaggregated Disclosures* – Requires Council to disclose of Financial Information by Function or activity
 AASB 1004 *Contributions* – contributions to be made to council to be recognised at Fair value

However the Authority is of the view that none of the following new standards or interpretations will affect any of the amounts recognised in the financial statements.

AASB-1 12	Service Concession Arrangements
AASB-1 13	Customer Loyalty Programmes
AASB 8	Operating Segments
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered items

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 2 – Revenues

	Actual 2008 \$'000	Actual 2007 \$'000
(a) ANNUAL CHARGES		
Water Supply	6,583	6,262
Sewerage Services	22,862	21,396
Total Annual Charges	<u>29,445</u>	<u>27,658</u>
(b) USER CHARGES & FEES		
Water Supply	14,732	11,970
Sewerage Services	857	1,396
Total User Charges	<u>15,589</u>	<u>13,366</u>
Fees		
Water Connection Fees	261	362
Sewer Application Fees	159	523
Certificate Fees Water	32	44
Fees Other	155	239
Total Fees	<u>607</u>	<u>1,168</u>
Total User Charges & Fees	<u>16,196</u>	<u>14,534</u>
(c) INTEREST		
Water	1,196	1,977
Sewer	1,246	1,308
Total Interest Revenue	<u>2,442</u>	<u>3,285</u>
(d) OTHER REVENUES		
Other Revenue	145	74
Total Other Operating Revenue	<u>145</u>	<u>74</u>

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

Note 2 – Revenues (cont'd)

(e) GRANTS	OPERATING		CAPITAL	
	Actual		Actual	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Pensioners Rate Subsidies				
- Water	653	595	-	-
- Sewer	653	699	-	-
Water Supplies	567	-	927	2,567
Sewerage Services	61	-	40	(40)
Other	-	55	-	-
Total Grants	1,934	1,349	967	2,527
(f) CONTRIBUTIONS				
Developer Contributions				
Drainage	-	-	1,197	451
Water	2	14	897	1,158
Sewerage	12	-	612	896
Other Councils Joint Works	-	-	-	-
Contributed Assets				
Drainage	-	-	887	6,259
Water	-	-	547	4,039
Sewer	-	-	392	3,623
Other	126	-	9	1,593
Total Contributions & Donations	140	14	4,541	18,019
TOTAL GRANTS & CONTRIBUTIONS	2,074	1,363	5,508	20,546

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 3 – Expenses

	Actual 2008 \$'000	Actual 2007 \$'000
(a) EMPLOYEE COSTS		
Salaries and Wages	11,351	10,422
Employee Leave Entitlements	1,824	1,757
Superannuation*	755	641
Workers' Compensation Insurance	400	284
Payroll Tax	983	967
Training Costs (excluding salaries)	49	1
Other	-	-
	15,362	14,072
Less: Capitalised & distributed costs	2,225	1,880
Total Employee Costs Expended	13,137	12,192
<i>* refer note 1 (p)</i>		
(b) BORROWING COSTS		
Interest on overdraft		
Interest on Loans	6,730	4,499
Interest on Other Debts	49	-
Total Borrowing Costs Expended	6,779	4,499
(c) MATERIALS & CONTRACTS		
Raw Materials & Consumables		
- General	4,949	4,627
- Water Purchases	7	1,569
Contract & Consultancy costs		
- Payment to Hunter Water for drought works expense	-	3,112
- Expansion of Hunter Connection pipeline #	3,005	2,800
- Other	3,846	4,123
Auditor's Remuneration		
- Audit Services	69	65
- Other Services	5	-
Legal Expenses	467	79
Operating Lease Rentals	42	113
Total Materials & Contracts	12,390	16,488

This item represents the increase in capacity of a pipeline connecting the Hunter and Central Coast water networks. The pipeline is under the control of Hunter Water and these costs have been treated as an expense.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 3 – Expenses (cont'd)

	Actual 2008 \$'000	Actual 2007 \$'000
(d) DEPRECIATION & AMORTISATION		
Plant and Equipment	78	98
Office Equipment	44	50
Furniture & Fittings	14	18
Buildings	27	33
storm water drainage	1,712	1,659
water supply network	10,912	5,469
sewerage network	12,584	6,828
Other assets		
intangible assets - software	247	248
Total Depreciation Costs Expensed	25,618	14,403
(e) OTHER EXPENSES		
Bad and Doubtful Debts	20	-
Insurances	17	766
Contributions & Donations	75	70
Electricity	2,058	1,581
Gas Charges	612	449
Bank Fees & Charges	47	52
Water Tank, Washing Machine Rebate Scheme	1,013	1,925
Plant Hire	2,471	2,400
Telephone Charges	75	88
Tipping Fees	1,084	620
Administration Support	8,522	12,862
Other Expenses	1,597	1,878
Total Other Operating Expenses from Ordinary Activities	17,591	22,191
Restatement of values of Joint Water assets*	1,984	2,113
Write-off of initial expenses of discontinued projects#	2,267	-
Total Other Operating Expenses	21,842	24,304

* In the 2006-2007 financial year, it was established that some Joint Water (joint venture) assets had been held in the Asset register of the Authority at full cost rather than at the proportion of cost under the agreement with Gosford City Council. A residual part of the accounting adjustment was treated as a charge against retained earnings in that year. In the 2007-2008 year it was established that the value of the desalination plant project and other start up works had been included in the Works in Progress register at full cost rather than at Wyong's share of costs.

This item represents Wyong's share of the desalination plant project (\$1.98 million) and some other minor projects which did not proceed to construction stage.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

Note 4 – Gain or Loss on Disposal of Assets

	Actual 2008 \$'000	Actual 2007 \$'000
GAIN (OR LOSS) ON DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	-	-
Less: Carrying amount of assets disposed	<u>1</u>	<u>-</u>
Gain (or loss) on disposal	<u>(1)</u>	<u>-</u>
GAIN (OR LOSS) ON DISPOSAL OF INFRASTRUCTURE ASSETS		
Proceeds from Disposal	-	-
Less: Carrying amount of assets disposed	<u>-</u>	<u>231</u>
Gain (or loss) on disposal	<u>-</u>	<u>(231)</u>
GAIN (OR LOSS) ON DISPOSAL OF FINANCIAL INSTRUMENTS		
Proceeds from Disposal	50,117	73,426
Less: Carrying amount of assets disposed	<u>50,117</u>	<u>73,426</u>
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (OR LOSS) ON DISPOSAL OF ASSETS	<u>(1)</u>	<u>(231)</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 5 – Cash Assets and Investments

	Actual 2008		Actual 2007	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
CASH				
Cash on Hand and at Bank	2,197	-	29	-
TOTAL CASH ASSETS	2,197	-	29	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Managed Funds				
At beginning of year	34,767	-	48,051	-
Additions	56,850	-	60,142	-
Disposals	50,117	-	73,426	-
At end of year	41,500	-	34,767	-
HELD TO MATURITY INVESTMENTS				
At beginning of year	2,118	-	1,978	-
Additions	-	-	140	-
Disposals	520	-	-	-
At end of year	1,598	-	2,118	-
TOTAL INVESTMENT SECURITIES	43,098	-	36,885	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES	45,295	-	36,914	-

RESTRICTED CASH ASSETS AND INVESTMENTS

SUMMARY

PURPOSE	2008		2007	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
EXTERNAL RESTRICTIONS				
- Included in liabilities	10,132	-	6,851	-
- Included in revenue	30,478	-	27,275	-
TOTAL EXTERNAL RESTRICTIONS	40,610	-	34,126	-
INTERNAL RESTRICTIONS				
- Included in liabilities	777	-	765	-
- Other	1,710	-	2,023	-
TOTAL INTERNAL RESTRICTIONS	2,487	-	2,788	-
TOTAL UNRESTRICTED	2,198	-	-	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES	45,295	-	36,914	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 5 – Cash Assets and Investments (cont'd)

RESTRICTED CASH ASSETS AND INVESTMENTS

DETAIL

PURPOSE	2008		2007	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
EXTERNAL RESTRICTIONS				
- Included in liabilities				
Specific Purpose Unexpended Loans	8,534	-	5,129	-
Self Insurance Claims	1,598	-	1,722	-
Other	-	-	-	-
	10,132	-	6,851	-
- Included in revenue				
Specific Purpose Unexpended Grants	357	-	153	-
Water Contributions	5,233	-	4,225	-
Drainage Contributions	12,338	-	11,584	-
Sewerage Contributions	12,550	-	11,313	-
Other	-	-	-	-
TOTAL EXTERNAL RESTRICTIONS	40,610	-	34,126	-
INTERNAL RESTRICTIONS				
-Included in liabilities				
Self Insurance Claims	-	-	-	-
Employee Leave Entitlements	777	-	765	-
-Other				
Refurbishment Water	-	-	-	-
Water Equalisation	-	-	-	-
Sewer Refurbishment	1,710	-	1,900	-
Working Capital	-	-	123	-
TOTAL INTERNAL RESTRICTIONS	2,487	-	2,788	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 6 – Receivables

Purpose	Actual 2008		Actual 2007	
	Current	Non-current	Current	Non-current
	\$'000	\$'000	\$'000	\$'000
Annual Charges	2,170	36	1,765	89
Interest & Extra Charges	392	-	338	-
Government Grants & Subsidies	(177)	-	680	-
Accrued Revenues	8,927	-	4,001	-
User Charges & Fees	2,709	-	2,205	-
Other	2,480	711	5,897	678
Total	16,501	747	14,886	767
Less: Provision for Doubtful Debts	24	-	4	-
TOTAL	16,477	747	14,882	767

Water & Sewer Charges & Interest & Extra Charges

Overdue water and sewer charges are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2007: 9.00%).

Other levels of Government

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

Provision for Doubtful Debts

No debts were written off in the year ended 30 June 2008 or in the previous year. In June 2008 the value of the provision as increased by \$20 thousand.

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2008**

Note 7 – Other Assets

	Actual 2008		Actual 2007	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Inventories				
- Trading Stock	363	-	374	-
	363	-	374	-
Other				
Prepayments	-	-	22	-
		-	22	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 9 – Payables, Interest Bearing Liabilities and Provisions

Item	Actual 2008		Actual 2007	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Payables				
Goods and Services	1,495	-	3,731	-
Payments Received in Advance	684	-	750	-
Accrued Expenses	5,409	-	3,746	-
Accrued Interest	1,282	-	1,282	-
Accrued Salaries and Wages	42	-	268	-
Bonds	204	-	205	-
TOTAL PAYABLES	9,116	-	9,982	-
Interest Bearing Liabilities				
Bank Overdraft				
Loans*	7,324	111,058	6,742	82,774
TOTAL INTEREST BEARING LIABILITIES	7,324	111,058	6,742	82,774

*Loans are secured on the revenue streams of the Wyong Shire Council (consolidated entity).

Provisions				
Employee Leave Entitlements payable < 12 months	1,112	55	1,064	38
Employee Leave Entitlements payable > 12 months	2,790	-	2,994	-
Self Insurance Claims	206	930	339	1,105
Payroll Tax	252	3	252	3
Dividend	-	-	-	-
Insurance	9	-	12	-
TOTAL PROVISIONS	4,369	988	4,661	1,146

Movements in Provisions - Non ELE Provisions

	2008 \$'000		2,007 \$'000	
	Self Insurance Claims	Other	Self Insurance Claims	Other
Opening Balance	1,444	267	1,341	262
Self Insurance Payments	(400)	-	(319)	-
Increase in Provision	92	(3)	422	5
Closing Balance	1,136	264	1,444	267

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 10 – Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash includes cash on hand and "at call" deposits with other financial institutions. Term deposits of 90 days or less are also included.

The Authority has an equity interest in the managed funds and term deposits of Wyong Shire Council. Since the Council's General Fund pays accounts of the Authority on demand, the equity in council's consolidated investment portfolio is treated as a cash equivalent for the purpose of the cash flow statement.

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Actual 2008 \$'000	Actual 2007 \$'000
Cash on Hand and at Bank	2,197	29
	<hr/>	<hr/>
Balances as per cash flow statement	<u>2,197</u>	<u>29</u>

(b) Reconciliation of Change in Net Assets to Cash Inflow/Outflow from Operating Activities

Change in Net Assets from operations	(23,957)	(4,657)
Add: Depreciation and Amortisation	25,618	14,403
Non Cash Asset Adjustment Expense	4,251	2,113
Increase in Provision for Doubtful Debts	20	-
Increase in Employees' Leave Entitlements	-	138
Increase in Other Provisions	-	108
Decrease in Receivables	-	-
Decrease in Inventories	11	-
Decrease in Other Current Assets	269	248
Increase in Payables	-	1,720
Increase in Accrued Interest Payable	-	606
Increase in Accrued Salaries & Wages	-	85
Increase in Other Current Liabilities	1,596	-
Loss on Sale of Assets	1	231
	<hr/>	<hr/>
	<u>7,809</u>	<u>14,995</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 10 – Cash Flow Statement (cont'd)

	Actual 2008 \$'000	Actual 2007 \$'000
Less: Decrease in Provision for Doubtful Debts		
Decrease in Employee Leave Entitlements	139	-
Decrease in Other Provisions	311	-
Non-Cash Donations	1,826	13,921
Increase in Receivables	1,595	5,166
Increase in Inventories	-	183
Decrease in Payables	2,236	-
Decrease in Accrued Salaries & Wages	226	-
Decrease in Other Current Liabilities	-	1,111
Net Cash Provided by (used in) Operating Activities	<u>1,476</u>	<u>(5,386)</u>

(c) Non-Cash Financing and Investing Activities

-Acquisition of Assets by Means of:		
-Developer Contributions Received In Kind	<u>1,826</u>	<u>13,921</u>
	<u>1,826</u>	<u>13,921</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 11 - Financial Risk

Risk Management

Council borrows money on behalf of the water supply authority to fund infrastructure developments and other projects, and also invests the authority's surplus funds. These activities expose Council to a number of risks undertaken on behalf of the authority, including credit risk, market price risk, interest rate risk, and liquidity risk.

Credit Risk is the risk that investment assets will fall in value if the market re-assesses the creditworthiness of the issuer of the security.

Default Risk is the risk that the counterparty to a loan or investment agreement will not complete its financial obligations

Market Price Risk is the risk that market interest rates may be adverse at the time it is needed to borrow or invest money

Interest Rate Risk is the risk that investment assets will fall in market value when interest rates are moving upwards.

Liquidity Risk is the risk that liquid funds are not available to meet payment obligations as they fall due.

Settlement Risk is the risk that counter-parties to a financial transaction fail to honour their obligations.

Council employs an investment advisor to assist in managing the risks associated with investment of surplus funds. Council's financial risk management generally is carried out by the Finance section in accordance with council policies. Council's investment policy is reviewed regularly in conjunction with Council's investment advisor.

Council prepares weekly, monthly and year by year cash flows and financial models and monitors actual performance against the forecasts.

The Water and Sewerage Authority held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and Cash equivalents	2,197	29	2,197	29
Receivables	17,224	15,649	17,224	15,649
Financial assets at fair value through profit or loss	41,500	34,767	41,500	34,767
Available-for-sale financial assets				
Held-to-maturity investments	1,598	2,118	1,598	2,118
	62,519	52,563	62,519	52,563
Financial Liabilities				
Payables	9,116	9,982	9,116	9,982
Borrowings	118,382	89,516	107,217	84,965
	127,498	99,498	116,333	94,947

As at 30 June 2008 estimated weighted average interest rates on the Authority's financial assets were: Cash and Cash equivalents - 7.2%, Receivables - 3.0%, Financial assets at fair value (total investment return) - 4.0% and Held-to-maturity investments 7.5%.

Note 11 – Financial Risk (cont'd)

Fair Value is determined as follows:

Cash and Cash equivalents, Receivables and Payables - stated at book value which is assessed as approximating to fair value.

Borrowings, Held to Maturity Investments – based on future cashflows which are discounted back to net present value using an applicable market interest rate. The discount rate used for borrowings is the Local Government Indicative Borrowing Rate published by the New South Wales Treasury Corporation on 24 June 2008. Interpolated rates are used for borrowings greater than 15 years.

Financial Assets at Fair Market Value through Profit and Loss – based on quoted prices at 30 June 2008.

(a) Cash and Investments (Cash and Cash Equivalents, Financial assets at fair value through profit and loss and Held-to-maturity investments)

Council's investment activities are subject to default risk, interest rate risk, credit risk, market price risk, liquidity risk and settlement risk.

Council manages these risks by

- diversifying its portfolio,
- investing only in investment grade securities
- assessing the credit rating of the issuers, or endorsers, of potential investments,
- timing the maturity of investments to accord with known future liabilities.

Council seeks advice from its investment advisor prior to the purchase of investments.

Weighted average returns for the Council's pool of cash and investments were 4.70% for the year ended 30 June 2008 and 5.73% for the year ended 30 June 2007.

Sensitivity Analysis

The Authority has an equity interest in managed funds held in the name of Wyong Shire Council (consolidated fund.)

The impact of a 10% movement in the price of investments as at 30 June 2008 would be a gain or loss in the income statement of \$4.1million (\$3.4 m at 30 June 2007).

The estimated impact of a 1% movement in interest rates on the fair value of investment assets at 30 June 2008 would be capital gain or loss (reflected in the income statement) of \$0.2 million (\$0.2 m at 30 June 2007). This data is indicative only. Capital losses on some investment products in the period August 2007 and March 2008 were much higher than the 10% figure above.

(b) Receivables

The authority's major receivable amounts are

- annual charges
- fees and user charges

Council can recover property related debts on rates as a secured charge over land. Council can also charge interest on such debts at higher than market rates.

Outstanding sundry debts are monitored monthly and assessed for acceptable collection performance. Council makes a provision for the value of doubtful debts.

Note 11 – Financial Risk (cont'd)

Council's Rates and Annual Charges Outstanding are shown at note 13, item 4.

Sundry debtors at 30 June 2008 represented 7% of the total value of fees and user charges (30 June 2007 7.4%).

The profile of Council's Credit Risk at Balance Sheet date was:

	<u>2008</u>	<u>2007</u>
Percentage of Rates & Annual Charges		
Current	99.27%	97.81%
Overdue	0.73%	2.19%
Percentage of other Receivables		
Current	94.23%	94.15%
Overdue	5.77%	5.85%

(c) Payables and Borrowings

Council's current borrowing policy is to borrow from licensed Australian banks, to make progressive principal repayments over the course of the loan, to borrow at fixed rates of interest, and not to make early repayments. Council also ensures (prudently) that Council's borrowings are spread among a number of lenders.

Council's major borrowing risk is market price risk. Both payables and borrowings are also affected by liquidity risk.

Council's investments are managed to ensure the availability of liquid funds to meet known expenditure commitments.

The following table shows estimated future cash flows for payables and borrowings. Cash flows for borrowings include principal and interest payments.

2008 \$'000	Due within 1 year	Due Between 1 and 5 years	Due after 5 years	Total Contractual Cash Flows	Carrying values
Payables	9,115			9,115	9,115
Borrowings	12,618	32,525	93,279	138,422	118,382
	<u>21,733</u>	<u>32,525</u>	<u>93,279</u>	<u>147,537</u>	<u>127,497</u>

2007 \$'000	Due within 1 year	Due Between 1 and 5 years	Due after 5 years	Total Contractual Cash Flows	Carrying values
Payables	9,982			9,982	9,982
Borrowings	12,323	25,817	68,879	107,019	89,516
	<u>22,305</u>	<u>25,817</u>	<u>68,879</u>	<u>117,001</u>	<u>99,498</u>

Council incurred no significant overdraft debt in the year ending 30 June 2008. Water Authority receipts and payments are made through Council's main bank account (consolidated entity) which has an attached overdraft facility of \$500 thousand.

The average interest rate applicable to payables is estimated to be 0%. The Council does not generally enter into agreements with suppliers to pay interest on outstanding balances.

Council's borrowings are all at fixed rates of interest and therefore the sensitivity of the loan portfolio to market interest rate movements is zero. At 30 June 2008 the amount of undrawn loans was nil.

The weighted average borrowing rate (based on nominal interest rates and nominal amount advanced) was 8.7 % as at 30 June 2008 (9.0 % at 30 June 2007.)

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 12 – Joint Venture Operation

The Council of Wyong Water Supply Authority is a joint venturer in the provision of water supply headworks servicing both Wyong and Gosford Council areas. The Councils jointly construct, operate and maintain headworks infrastructure which typically includes weirs, dams, treatment plants and bulk water distribution.

The Council of Wyong Water Supply Authority had a 49.01% (49.35% - 2007) interest in the output of the joint venture for the period ending 30 June 2008.

The Council's share of assets in the joint venture is included in the Balance Sheet under the following classifications:

	2008 \$'000	2007 \$'000
CURRENT ASSETS		
NON-CURRENT ASSETS		
Infrastructure, Property, Plant & Equipment	<u>184,950</u>	<u>199,997</u>
	184,950	199,997
Share of Assets Employed in Joint Venture	<u>184,950</u>	<u>199,997</u>

The value of Council's share of any liabilities, commitments and contingent liabilities of the joint venture is nil.

The following are the items of expense included within the Water Authority's Income Statement in respect of the Joint Venture:

	Actual 2008 \$'000	Actual 2007 \$'000
Maintenance and Operations Expenditure		
Incurred by Wyong Shire Council	4,514	5,897
Wyong Shire Council's share of costs under the agreement	4,534	5,975
Equalisation payment to Gosford City Council	<u>20</u>	<u>78</u>
Interest Expense		
Incurred by Wyong Shire Council	2,076	525

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 13 – Contingencies

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources:

Contingent Liabilities

Statewide Mutual Insurance Scheme

The Wyong Shire Council is a member of Statewide Mutual, on its own account and on behalf of the Water Supply Authority. Statewide Mutual is an organisation formed for the purpose and management of certain insurances on behalf of its members.

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

Legislative changes appear to be reflecting well through lower claims experience and the scheme has now achieved an overall surplus. However it is impossible for Statewide Mutual to predict long term consequences of proposed amendments to law relating to public liability and professional negligence.

Water Supply Authority

Council is a statutory authority for water and sewerage functions under the *Water Management Act 2000*. By the *Central Coast Water Corporation Act 2006*, a new body for water management in the Central Coast may be created with the consent of both Wyong and Gosford councils.

The legislation allows for transfers of water and sewerage personnel, assets, and liabilities from the existing structure to the new, but there exists the possibility that some water and sewerage related financial or legal liabilities may remain on the books of Wyong Council after the transfer of functions.

Initial estimates of the possible impact of the change indicate that the Council could face a \$6.0m annual shortfall. At the time of preparing the financial statements the likelihood of this impact being realised cannot be determined.

Authority Charges

The Authority has been notified that a legal challenge may be mounted against certain sewer usage charges invoiced since 1996. The Authority's solicitors and Senior Counsel have confirmed that a challenge may succeed because of the Authority's apparent failure to comply with the relevant statutes when determining those and other charges.

The Statutes make provision for the defect in determination of charges to be rectified by the Governor and the Authority has made formal application therefore. The Authority is unable to foreshadow the outcome of its application. However, the matter remains undetermined despite representation to the relevant Ministers.

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 14 – Commitments

	2008 \$'000	2007 \$'000
CAPITAL EXPENDITURE COMMITMENTS		
Property, Plant and Equipment		
not longer than one year	4,271	3,714
longer than one year but not longer than five year	-	-
longer than five years	-	-
	<u>4,271</u>	<u>3,714</u>
OTHER EXPENDITURE COMMITMENTS		
Maintenance		
not longer than one year	437	502
longer than one year but not longer than five year	-	-
longer than five years	-	-
	<u>437</u>	<u>502</u>
Other Services		
not longer than one year	271	355
longer than one year but not longer than five year	-	-
longer than five years	-	-
	<u>271</u>	<u>355</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 15 – Revaluation Reserve and Retained Earnings

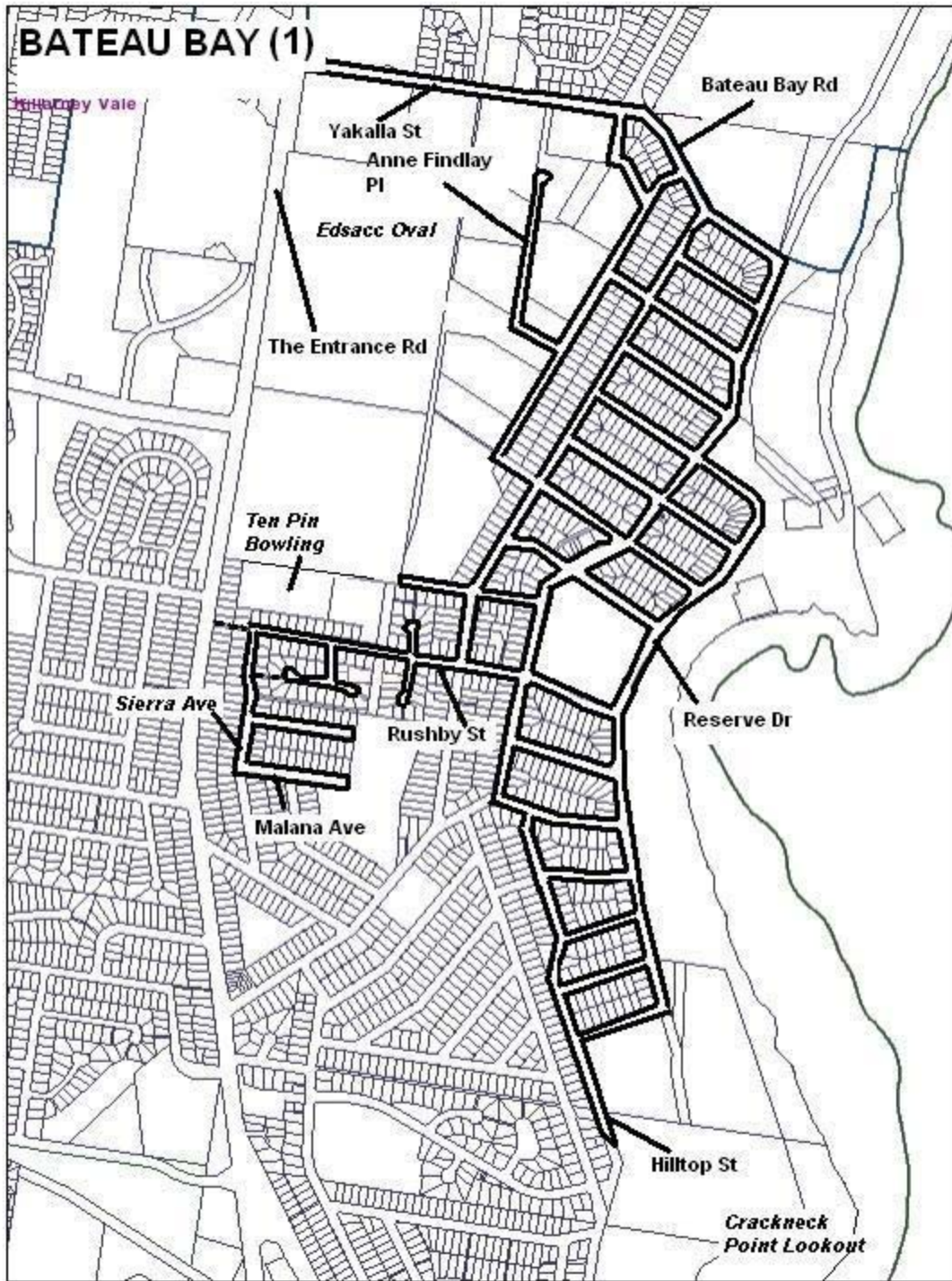
	2008 \$'000	2007 \$'000
(a) REVALUATION RESERVE		
-Infrastructure, Property, Plant & Equipment		
Balance at beginning of reporting period	258,230	-
Add: Revaluation increments transferred to reserve relating to:		
Water Infrastructure Assets	14,165	153,879
Sewerage Infrastructure Assets	16,610	104,351
Operational Land	10,854	-
Subtotal	<u>41,629</u>	<u>258,230</u>
Less: Revaluation decrements		
Balance at end of reporting period	<u>299,859</u>	<u>258,230</u>
<i>*The above reserve is used to record increments and decrements on the revaluation of fixed assets.</i>		
(b) RETAINED EARNINGS		
Balance at beginning of reporting period	650,930	542,554
Correction to errors:		
- adjustment to recognise change in accumulated depreciation due to revised estimates of useful life and asset consumption rates	-	113,383
Dividend Payment	(343)	(350)
Net Operating Result for the year	(23,957)	(4,657)
Balance at end of reporting period	<u>626,630</u>	<u>650,930</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2008

Note 16 – Intangible Assets

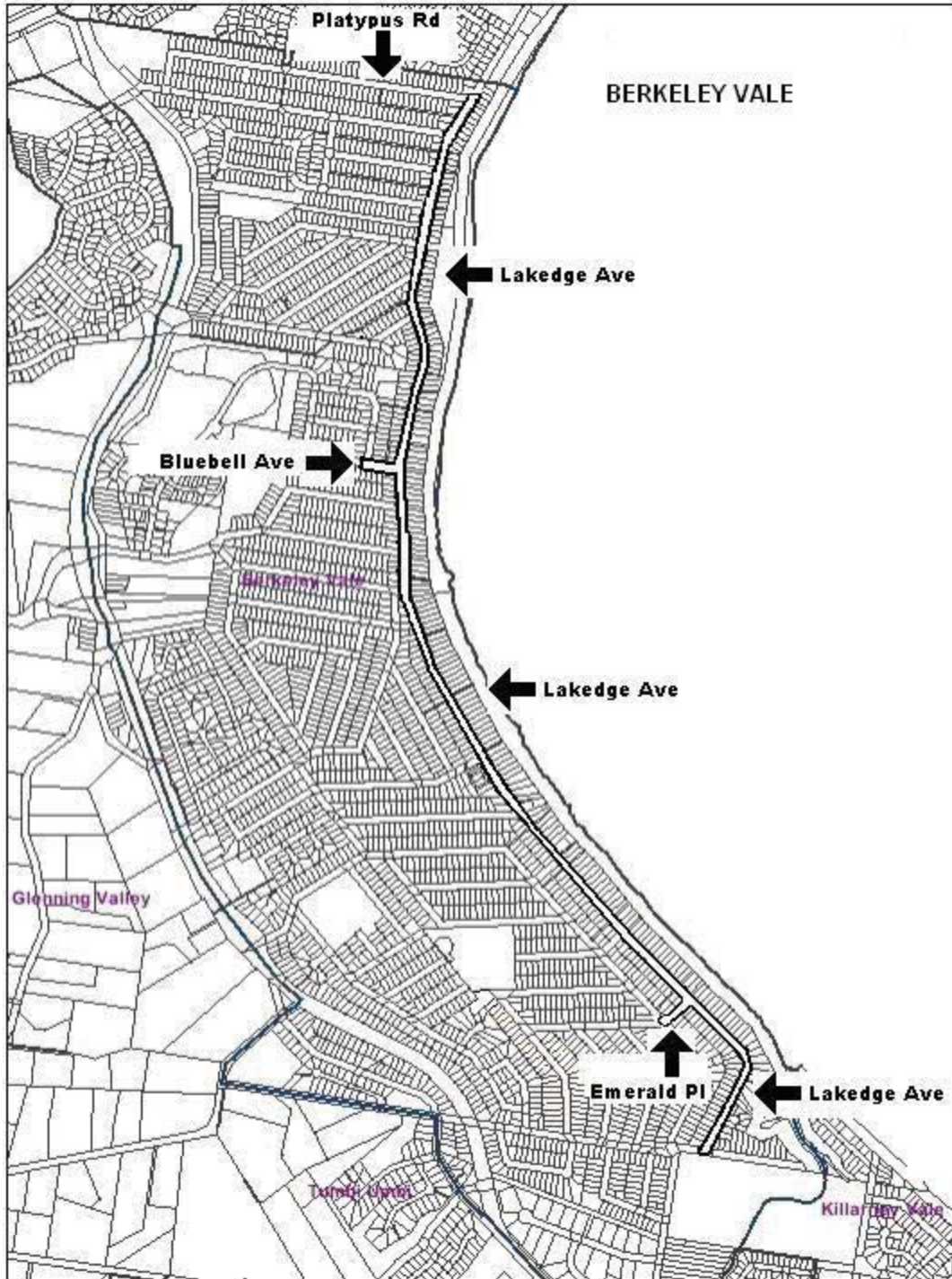
	\$'000
At 1 July 2006	
Cost	2,469
Accumulated amortisation and impairment	<u>(545)</u>
Net book amount	<u>1,924</u>
Year ended 30 June 2007	
Opening net book amount	1,924
Additions - acquisition	0
Amortisation Charge (2)	<u>(247)</u>
Closing net book amount	<u>1,677</u>
At 30 June 2007	
Cost	2,469
Accumulated amortisation and impairment	<u>(792)</u>
Net book amount	<u>1,677</u>
Year ended 30 June 2008	
Opening net book amount	1,677
Additions - acquisition	0
Amortisation Charge (2)	<u>(247)</u>
Closing net book amount (1)	<u>1,430</u>
At 30 June 2008	
Cost	2,469
Accumulated amortisation and impairment	<u>(1,039)</u>
Net book amount	<u>1,430</u>

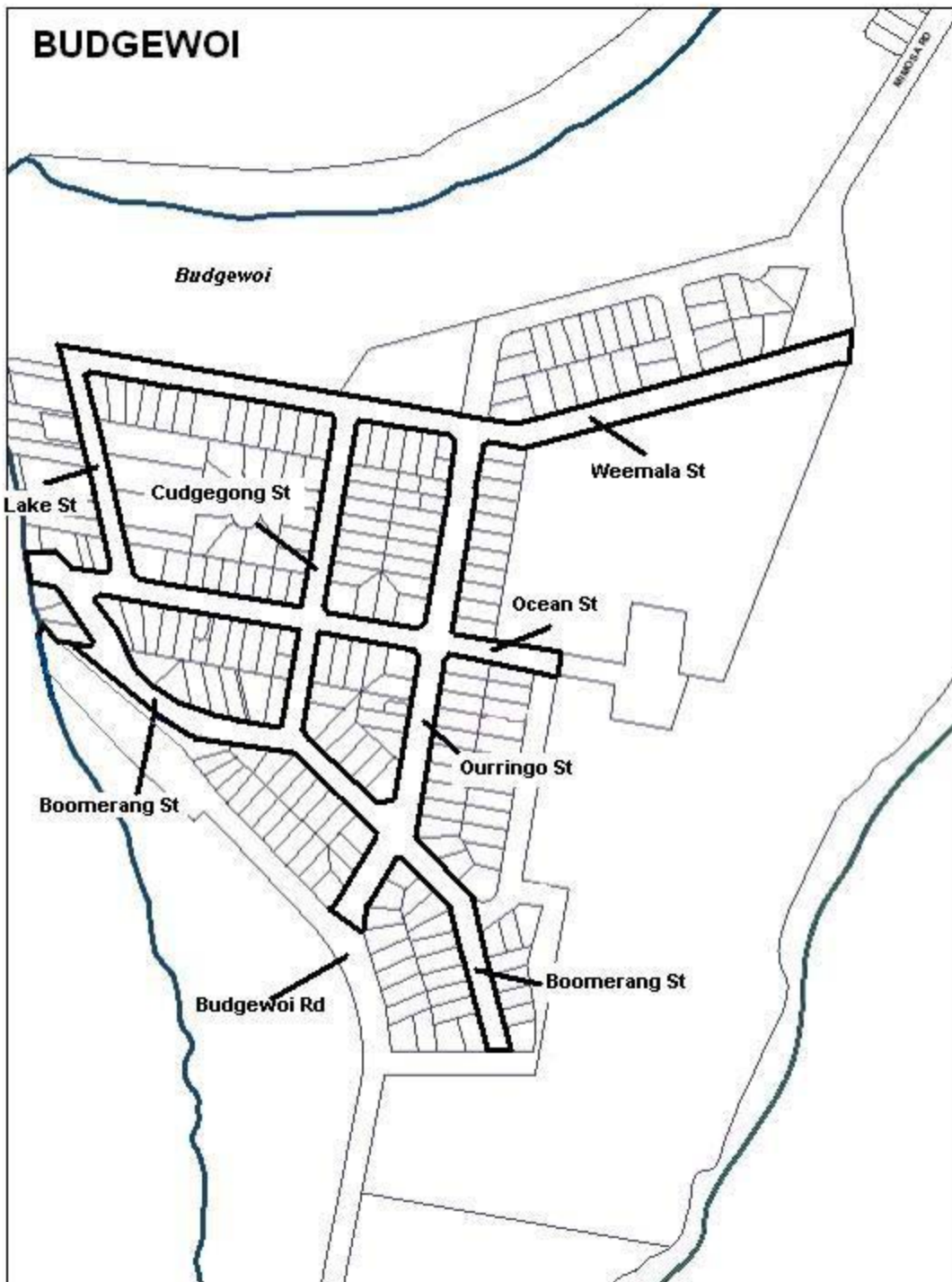
Wyong Shire Council is contracted to acquire, on behalf of the Water Supply Authority, under a management service arrangement, a licence to access information technology services. The system solution was designed, developed and built by the contractor with assistance and input of Council employees. A number of costs including system build costs, software and hardware licenses incurred under the contract as well as Council's own costs will give rise to future economic benefits. These costs have been capitalised as an intangible asset to be amortised over the period of the contract.



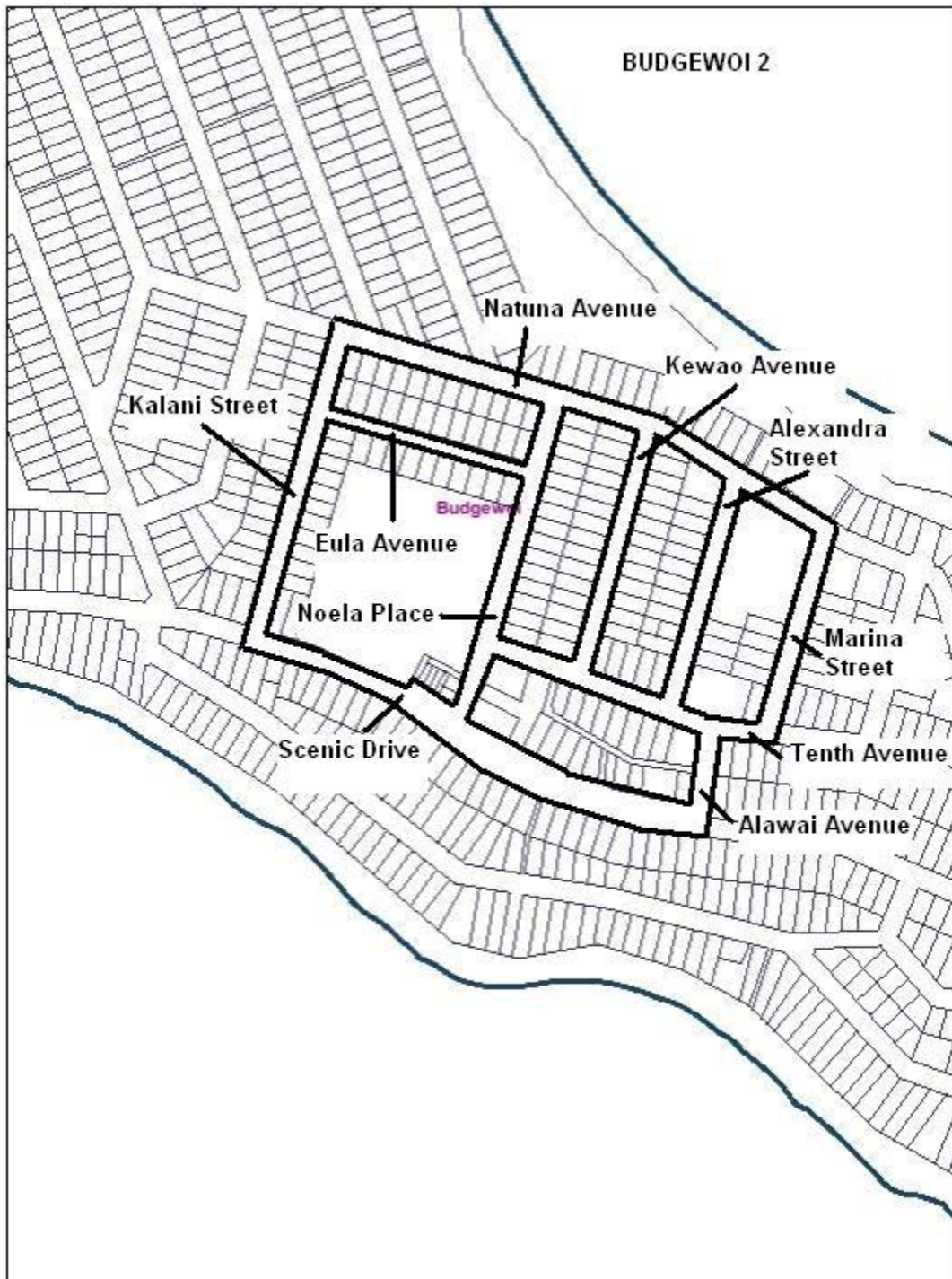


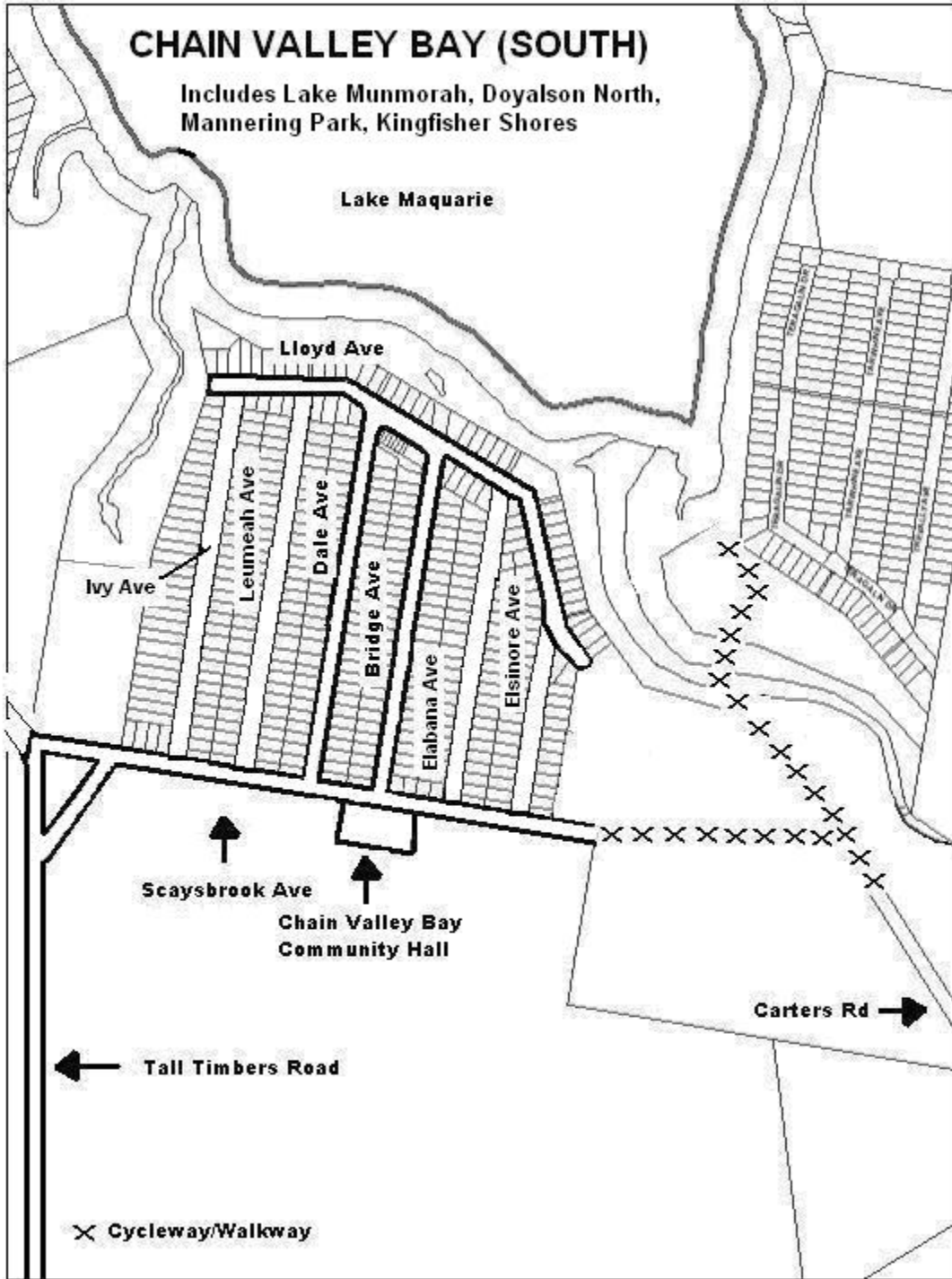
BERKELEY VALE

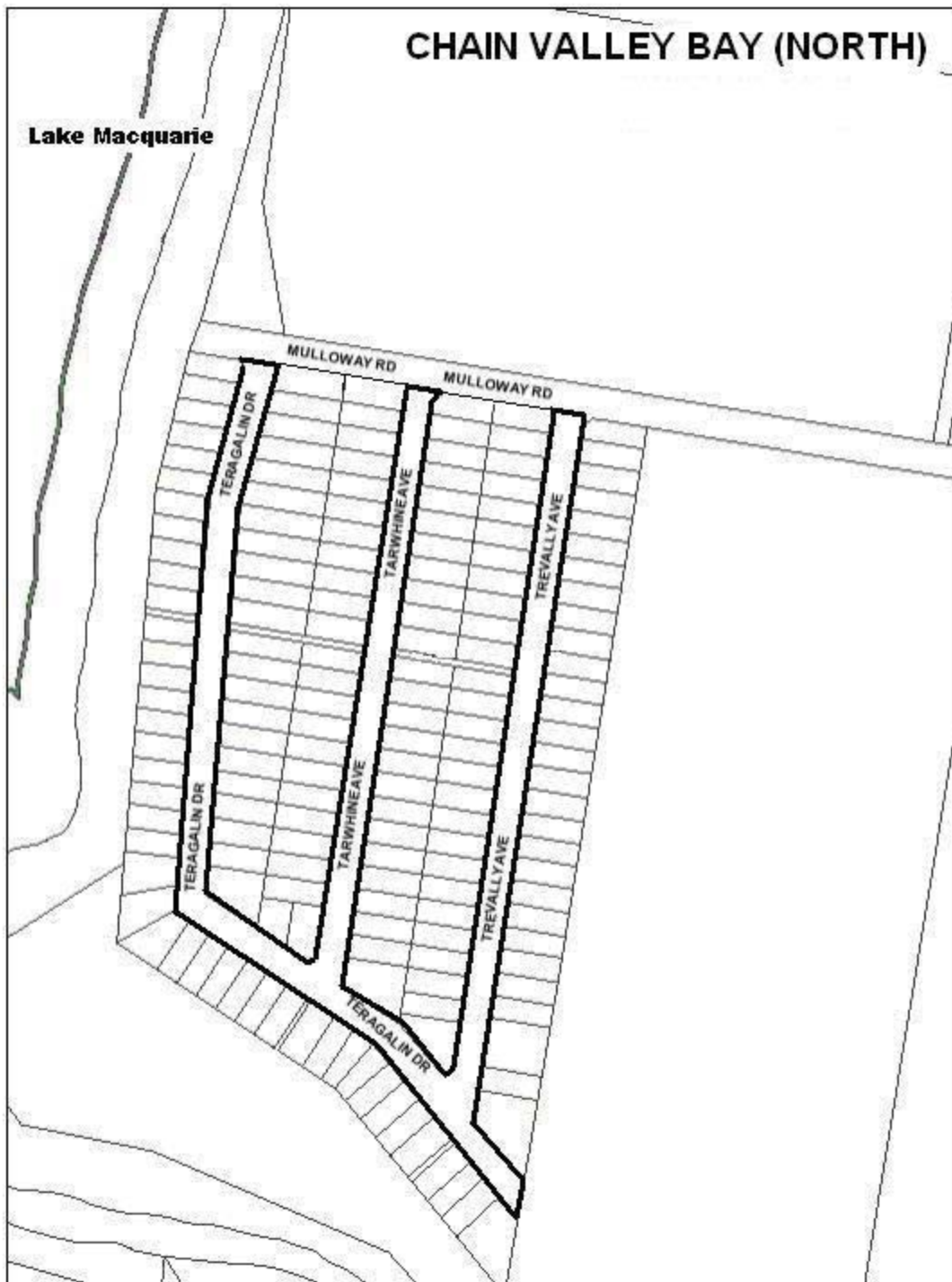


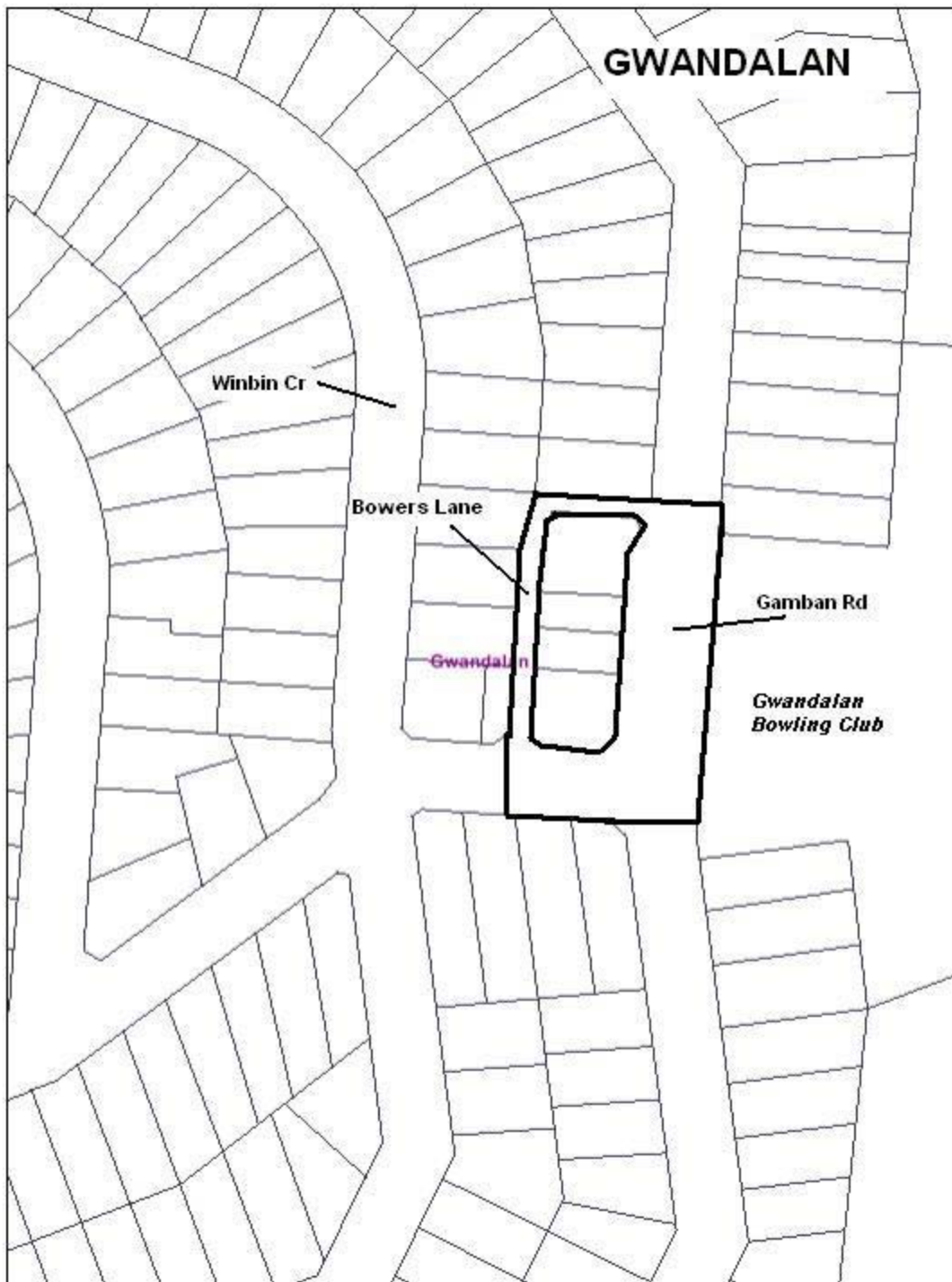


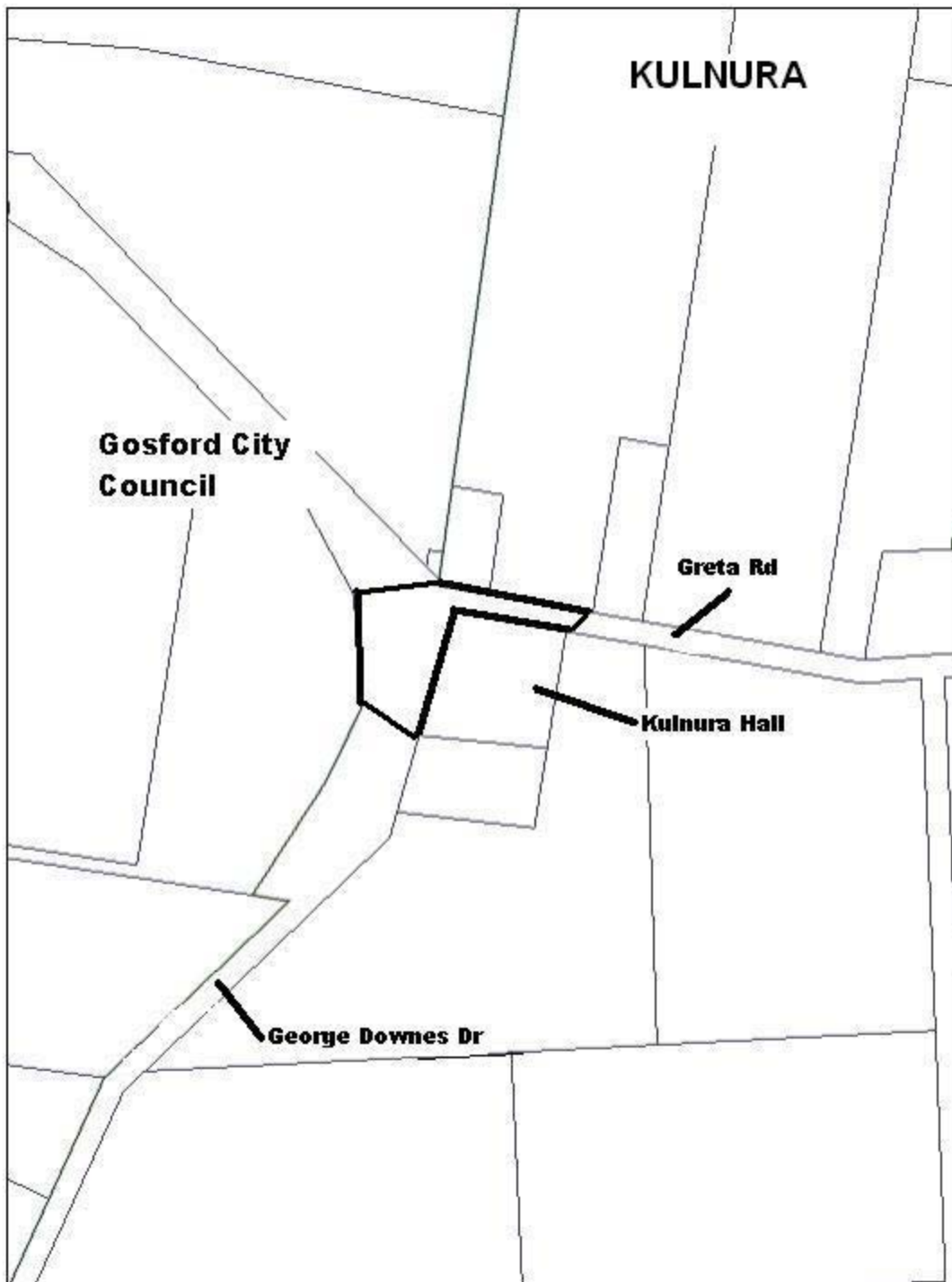
BUDGEWOI (2)







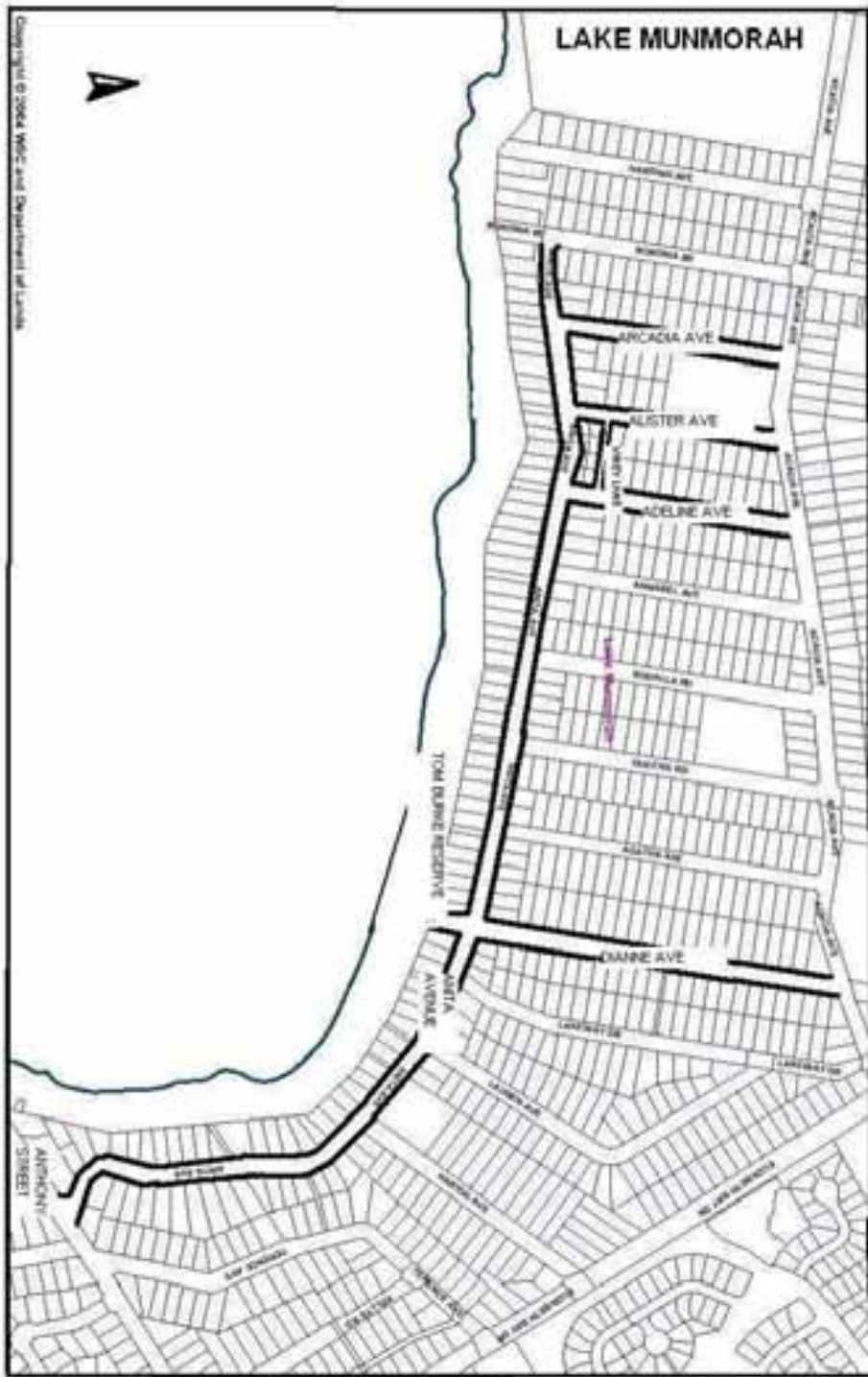




LAKE HAVEN



LAKE MUNMORAH

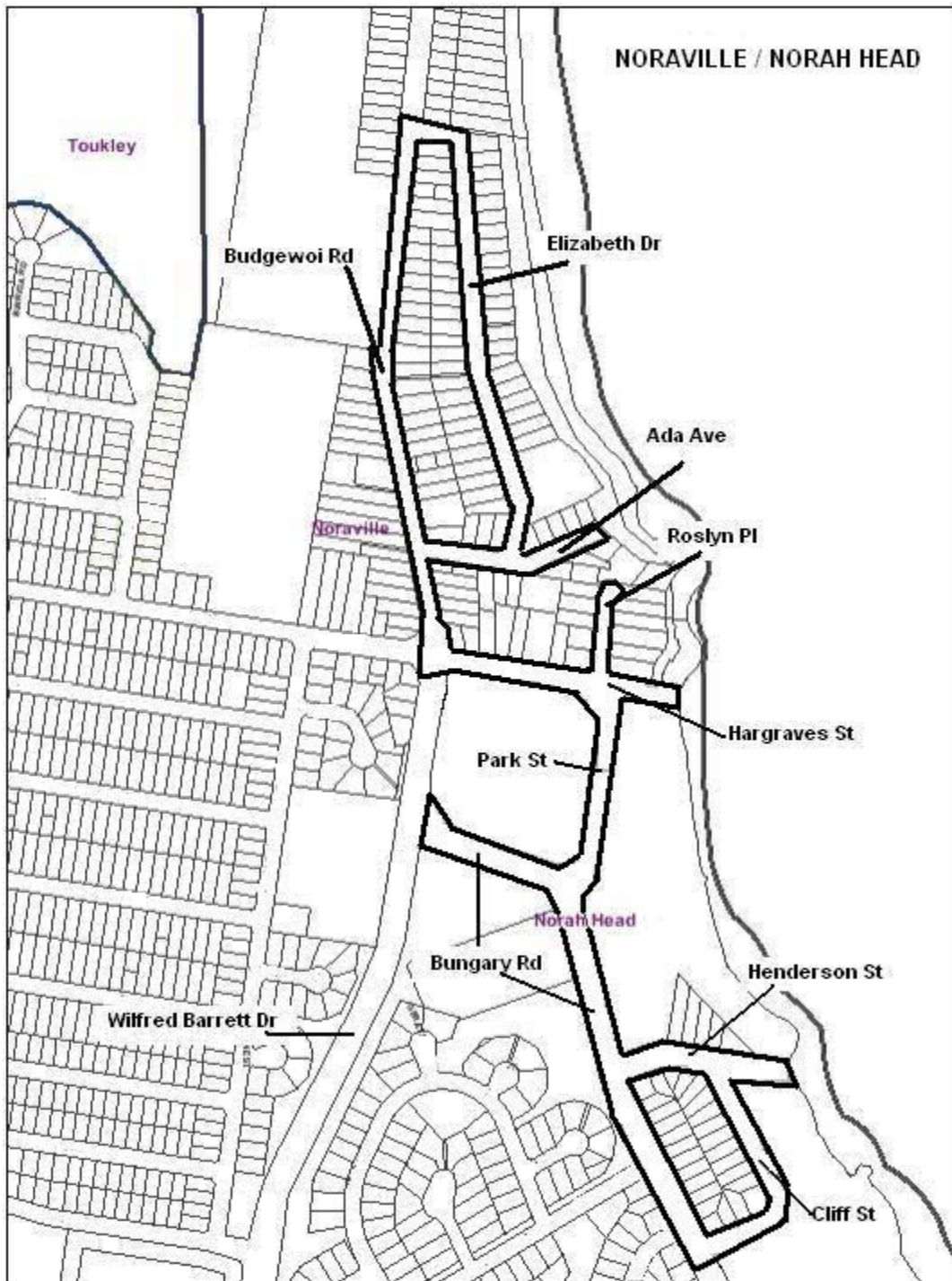


LONG JETTY

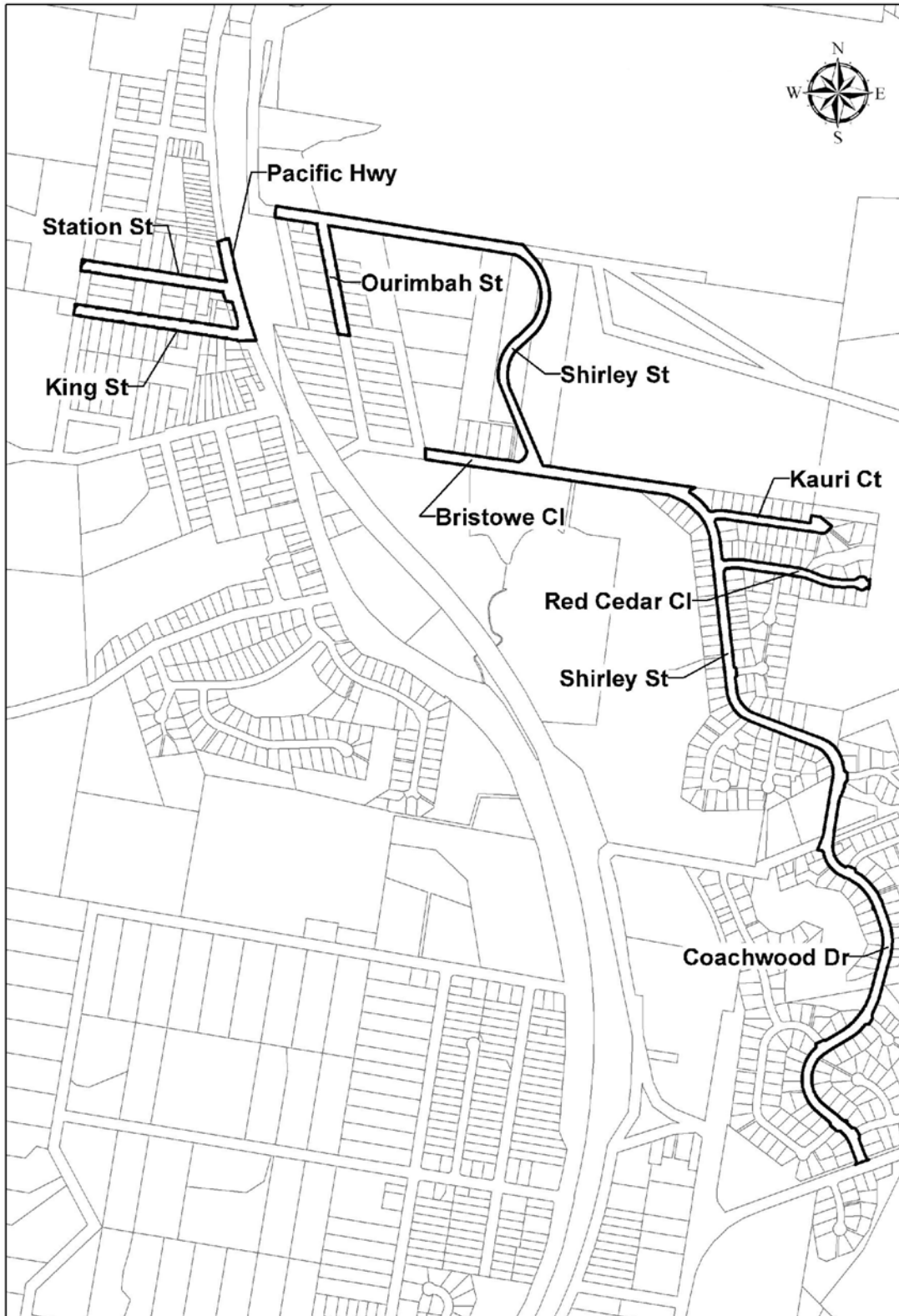


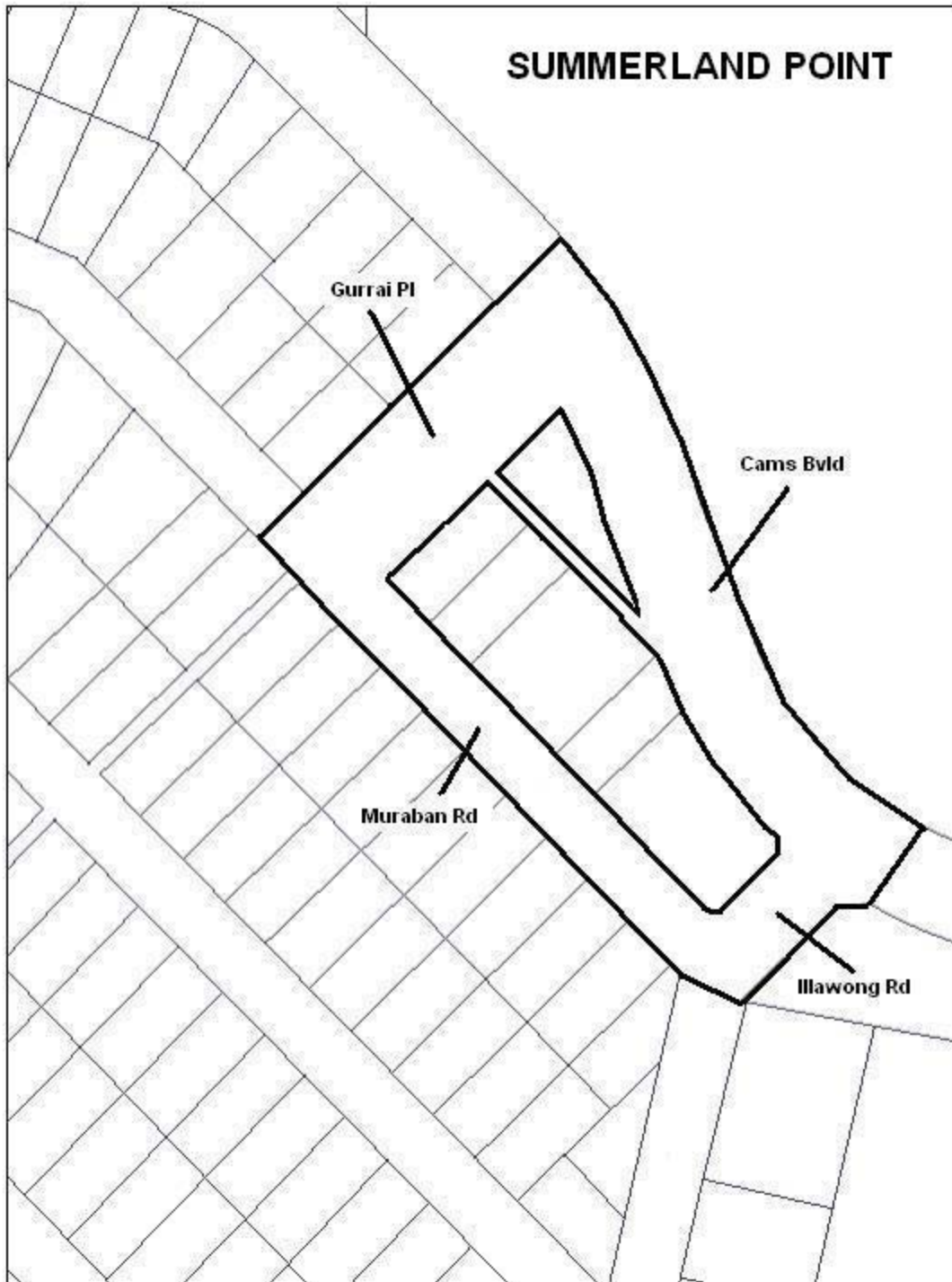


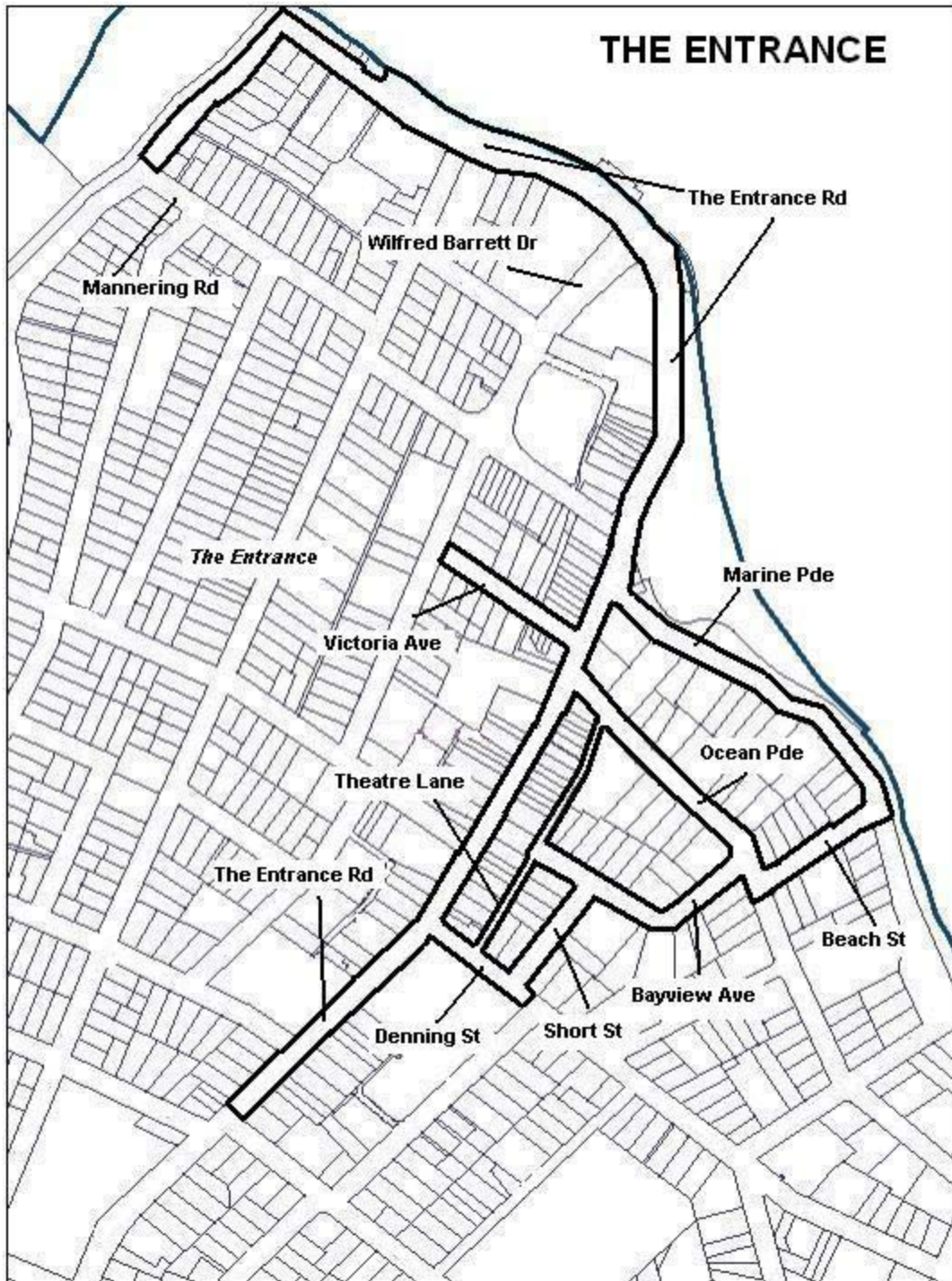
NORAVILLE / NORAH HEAD

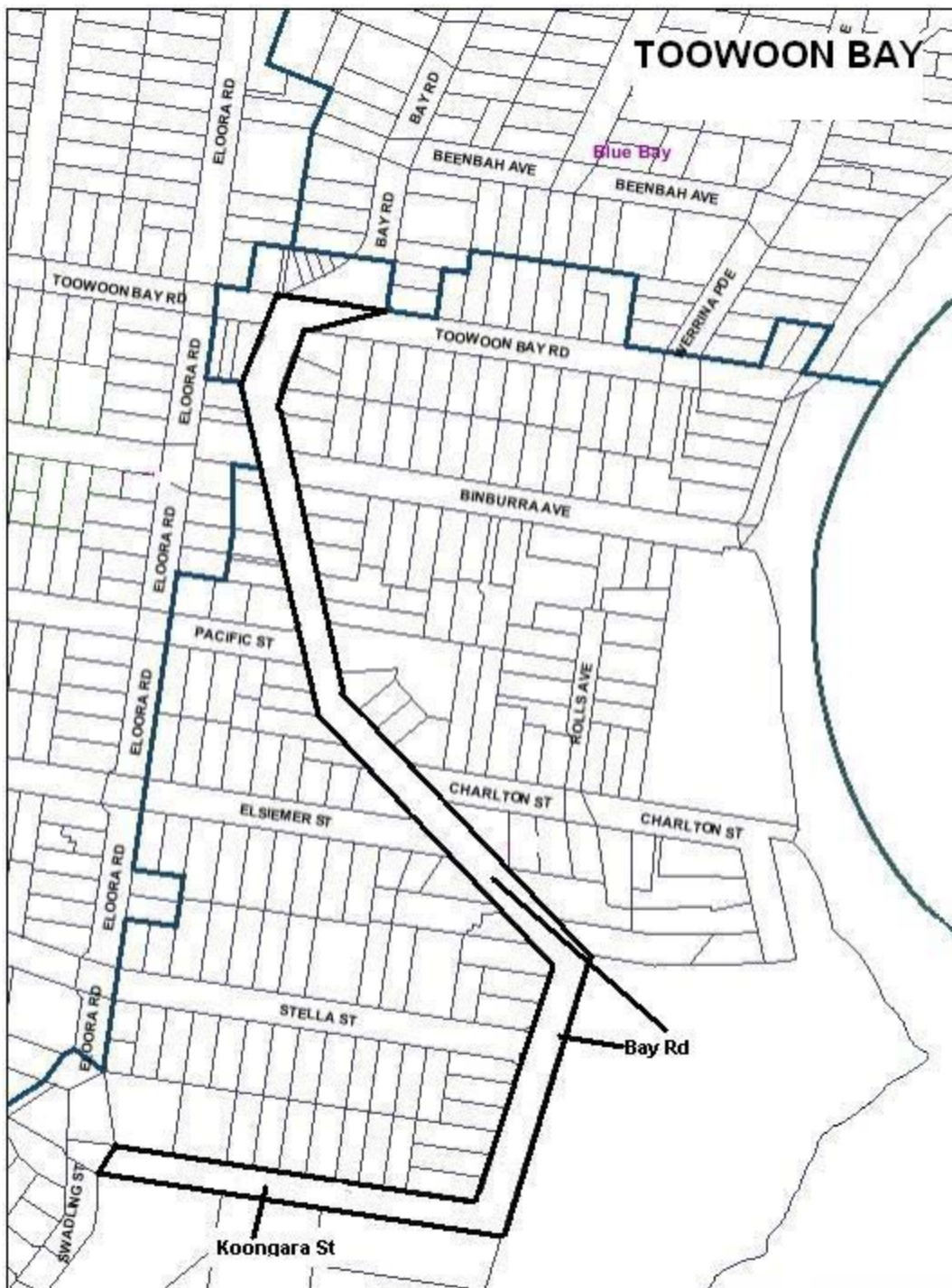


OURIMBAH









TOUKLEY

