

Wyong Shire Council Water Supply Authority

General Purpose Financial Reports for the year ended 30 June 2009

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Wyong Shire Council Water Supply Authority

Financial Report for the year ended 30 June 2009

Statement by Councillors and Management made pursuant to section 41c (1b) and (1c) of the Public Finance and Audit Act 1983

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 2009 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.



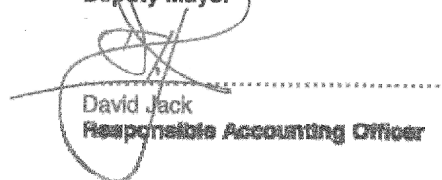
Robert Graham
Mayor



Lisa Matthews
Deputy Mayor



Kerry Yates
General Manager



David Jack
Responsible Accounting Officer

Wyong Shire Council Water Supply Authority

Income Statement for the year ended 30 June 2009

	Notes	Actual 2009 \$'000	Actual 2008 \$'000
Revenue from continuing operations			
Annual charges	2(a)	30,672	29,445
User charges and fees	2(b)	20,358	16,196
Interest	2(c)	753	2,442
Other	2(d)	569	145
Grants and contributions operating	2(e,f)	1,404	2,074
Grants and contributions capital	2(e,f)	5,146	5,508
Gain from the disposal of assets	4		
Revenues from ordinary activities		58,902	55,810
Expenses from continuing operations			
Employee costs	3(a)	14,867	13,137
Borrowing costs	3(b)	7,346	6,779
Materials and contracts	3(c)	10,511	12,390
Depreciation	3(d)	25,479	25,618
Other	3(e)	22,989	21,842
Loss from the disposal of assets	4		1
Total expenses from ordinary activities		81,192	79,767
Net operating result for the year		(22,290)	(23,957)

Wyong Shire Council Water Supply Authority

Balance Sheet as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Current assets			
Cash and cash equivalents	5	5,265	2,197
Investments	5	34,559	43,098
Receivables	6	16,404	16,477
Inventories	7	289	363
Other	7		
Total current assets		56,517	62,135
Non-current assets			
Investments	5	1,278	
Receivables	6	695	747
Intangible assets	7	1,183	1,430
Inventories	7		
Infrastructure, property, plant and equipment	8	1,020,946	995,032
Total non-current assets		1,024,102	997,209
Total assets		1,080,619	1,059,344
Current liabilities			
Payables	9	8,915	9,116
Borrowings	9	27,129	7,324
Provisions	9	4,408	4,369
Total current liabilities		40,452	20,809
Non-current liabilities			
Payables	9		
Borrowings	9	103,929	111,058
Provisions	9	1,341	988
Total non-current liabilities		105,270	112,046
Total liabilities		145,722	132,855
Net assets		934,897	926,489
Equity			
Retained earnings	15	603,998	626,630
Asset revaluation reserve	15	330,899	299,859
Total equity		934,897	926,489

Wyong Shire Council Water Supply Authority

Statement of Changes in Equity for the year ended 30 June 2009

	2009					2008				
	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	626,630	299,859	926,489	0	926,489	650,930	258,230	909,160	0	909,160
Transfers to/(from) asset revaluation reserve		31,040	31,040		31,040		41,629	41,629		41,629
Surplus/(deficit) from continuing operations	(22,290)		(22,290)	0	(22,290)	(23,957)		(23,957)	0	(23,957)
Taxation equivalent dividend payment	(342)		(342)		(342)	(343)		(343)		(343)
Balance at end of the reporting period	603,998	330,899	934,897	0	934,897	626,630	299,859	926,489	0	926,489

Wyong Shire Council Water Supply Authority

Cash Flow Statement for the year ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
Cash flows from operating activities			
Receipts:			
Receipts from customers		50,947	44,785
Interest		2,149	373
Grants provided by Government		1,248	3,758
Contributions and donations		2,419	2,855
Other		9,868	7,024
Payments :			
Employee benefits and on-costs		(14,415)	(13,810)
Materials and contracts		(11,011)	(15,219)
Interest		(7,462)	(6,779)
Other		(31,133)	(25,793)
Net cash provided by (or used in) operating activities	10(b)	2,610	(2,806)
Cash flows from investing activities			
Receipts:			
Sale of investments		43,319	50,637
Sale of real estate assets			
Sale of infrastructure, property, plant & equipment			
Deferred debtors			
Payments:			
Purchase of investments		(37,414)	(54,835)
Purchase of infrastructure, property, plant and equipment		(17,781)	(19,351)
Purchase of real estate			
Loans to deferred debtors			
Net cash provided by (or used in) investing activities		(11,876)	(23,549)
Cash flows from financing activities			
Receipts:			
Borrowings			36,000
Advances		20,000	
Payments:			
Borrowings		(7,324)	(7,134)
Advances			
Finance leases			
Dividend payment		(342)	(343)
Net cash provided by (or used in) financing activities		12,334	28,523
Net increase / (decrease) in cash held		3,068	2,168
Cash at beginning of reporting period		2,197	29
Cash at end of reporting period	10(a)	5,265	2,197

Notes to the Financial Statements for the year ended 30 June 2009

Note 1 – Summary of Significant Accounting Policies

(a) The Water Supply Authority Reporting Entity

Wyong Shire Council is a statutory authority for water supply and related purposes under the *Water Management Act (NSW) 2000*. The principal business office of the Wyong Shire Council is at 16 Hely St Wyong NSW 2259.

The Water Supply Authority (the “Authority”) controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within the Wyong local government area.

The following functions of the Authority have been consolidated in this financial report:

- Water Supplies
- Sewerage Services
- Stormwater Drainage

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

The Authority has a joint agreement with the neighbouring Gosford City Council Water Supply Authority for the construction and maintenance of water infrastructure (“headworks”) assets.

The Authority's interest in this joint venture has been recognised in the financial statements by including its share of any assets, liabilities and expenses of the joint ventures within the relevant items reported in these financial statements. Information about the joint ventures is set out in Note 12.

Drainage infrastructure is funded by, and recorded as an asset of, the Authority. Part of this infrastructure services the road network throughout the Shire and an assessed annual contribution is paid by Wyong Shire Council (General Fund) towards this expenditure.

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.

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

(b) Basis of Preparation

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

Where not in conflict with any reporting requirement applicable to entities designated as Water Supply Authorities under the *Water Management Act (NSW) 2000*, the provisions of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 17 (issued by the Department of Local Government) have been followed. Accounting Standard AAS27 which formerly applied to local government entities has been superseded and elements incorporated into AASB1051, AASB 1052, AASB 1054 and other current standards.

Historic Cost Convention

These financial statements have been prepared under the historic cost convention, as modified by

- the revaluation of investment assets classed as fair value through profit and loss
- the revaluation of certain classes of infrastructure, property, plant and equipment assets

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 the accounting policies of the Authority.

(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 Authority 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 Authority 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 Authority 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 Authority 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 Authority and are available for public inspection free of charge:

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 Authority 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

The Authority is not a party to any finance leases, that is, leases where the Authority as lessee incurs substantially all the risks associated with ownership.

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 where the Authority is lessor 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. 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 Authority 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

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment, or more often if events or changes in circumstances indicate that they might be impaired.

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

An impairment loss is for the amount by which the asset's carrying amount exceeds the higher of the *present value of future cash inflows* or *value in use*. For the purpose of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets – cash generating units.

Non-financial assets other than impaired goodwill are reviewed for a possible reversal of the impairment at each reporting date.

(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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables for annual charges are secured over the subject land, and bear interest at rates determined in accordance with the *Water Management Act (NSW) 2000*. Other receivables are generally unsecured and do not bear interest.

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

Receivables are treated as current except in the case where Council has agreed deferred payment terms with the debtor.

(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.

(j) Investments

The Authority 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.

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.

(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 fair value of financial instruments traded in active markets is based on quoted prices at reporting date. Other securities are valued at fair value based on the present value of future cash flows and the yield rate used in the discount calculation is based on market yield rates for comparable securities.

The nominal values 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 Council 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 by the Department of Local Government. The valuation of these assets is now reindexed yearly.

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.

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 the Authority 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.

Infrastructure assets and buildings were depreciated based on estimated useful life for each individual asset.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over useful lives, 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

** Carried at historic cost in the balance sheet (other categories 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.

(m) Investment property

The Authority does not own any investment property,

(n) Payables

These amounts represent liabilities for goods and services provided to Authority 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 Authority assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

(o) Borrowings and borrowing costs

Outstanding loan principal is held in the balance sheet as the amount borrowed less agreed repayments of principal made to date. Interest is accrued over the period to which it relates.

Principal due to be repaid within one year of balance date is classified as a current liability.

Borrowings are taken out of the balance sheet when all obligations under the contract have been discharged.

Borrowing costs are charged against capital projects before the asset being built is in use. Such a charge may be suspended if there are significant project delays caused by external factors.

(p) Provisions

Provisions are recognised when Authority 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. Future outflows are discounted back to present value where the amount of the discount is material.

(q) Employee benefits**Salaries, wages and 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.

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

Superannuation

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

Accumulation fund members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation. 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

WSC makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. These payments are treated as an expense,

Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Local Government Superannuation Scheme – Pool B (The Scheme) is a defined benefit plan that has been deemed to be a "Multi – Employer Fund". Sufficient information is not available to account for the scheme as a defined benefit plan, because the assets to the scheme are pooled together for all Councils.

The last valuation found that the scheme's liabilities exceeded assets by about \$290 million. The existence of this deficit may mean that the contribution rates incurred by the authority will be increased substantially in 2009/2010 and later financial years. In addition a one off payment to correct the deficiency may be required and this is disclosed in note 18 as a contingent liability.

(r) Self insurance

The Authority 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. The Authority also maintains cash and investments to meet expected future claims.

(s) 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 Statement of Cash Flows are disclosed on a gross basis.

(t) Rounding

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

(u) 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

(v) Intangible assets

Wyong Shire Council (WSC) has acquired, 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 Authority contribution to these costs has been capitalised as an intangible asset to be amortised over the period of the contract.

(w) Dividend for tax equivalents

The functions of the Authority are defined as Water Supply and Sewerage business activities of the Wyong Shire Council under the *Local Government Act (NSW) 1993*.

The Guidelines for Best Practice Management of Water Supply and Sewerage (published by the Department of Water and Energy) provide that local government water and sewerage business activities pay the general fund of the council a dividend amount calculated as the annual equivalent to tax charges other than income tax.

Achievement of substantial compliance with the Guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per water assessment and \$3 per sewerage assessment.

A tax-equivalent dividend amount of \$342,000 for the year ended 30 June 2009 was paid to the Wyong Shire Council (General Fund).

(x) Dividend from surplus

As a local government water supply and sewerage business the Authority is permitted to pay an annual dividend from its annual surpluses to the General Fund of Wyong Shire council.

No dividend from surpluses was paid or provided during the year.

(y) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2009 reporting period.

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-8 | Operating Segments |
| • AASB-2008-1 | Share based payments |
| • AASB 127 | Consolidated and Separate Financial Statements |
| • AASB 3 | Business Combinations |
| • AASB 2008-6 and AASB 5 | Discontinued Operations |
| • AASB Interpretation 16 | Hedges of a net investment in a Foreign Operation |

- AASB Interpretation 17 Distribution of non cash assets to owners

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. The Authority 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. The Authority 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. The Authority will adopt the revised standard from 1 July 2009. These changes will not have a significant impact on the Financial Statements.
- AASB 2008 – 7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – requires all dividends received from investments in subsidiaries, jointly controlled entities or associates to be recognised as revenue, even if they are paid out of pre-acquisition profits, with the investments being tested for impairment as a result of the dividend payment. The Authority will adopt the revised standard from 1 July 2009. These changes will not have a significant impact on the Financial Statements.
- AASB Interpretation 15 *Agreements for the construction of Real Estate* – clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The Authority has reviewed current agreements for the sale of Real Estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-1 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-1 15. The Authority will adopt the revised standard from 1 July 2009. These changes will not have a significant impact on the Financial Statements.
- AASB 2008 – 8 Amendment to AASB 139 *Financial Instruments: Recognition and measurement* – requires retrospective application in accordance with AASB 108 – *Accounting Policies, changes in accounting estimates and errors*. The amendments
 - Prohibit designating inflation as a hedgeable component of a fixed rate debt.
 - Prohibit including time value in the one sided hedged risk when designating options as hedges.

The Authority will adopt the revised standard from 1 July 2009. These changes will not have a significant impact on the Financial Statements.

Notes to the Financial Statements for the year ended 30 June 2009

Note 2 – Revenues

	Actual 2009 \$'000	Actual 2008 \$'000
(a) Annual charges		
Water supply	6,691	6,583
Sewerage services	23,981	22,862
Drainage		
Other		
Total annual charges	<u>30,672</u>	<u>29,445</u>
(b) User charges and fees		
User charges		
Water supply	18,658	14,732
Sewerage services	672	857
Total user charges	<u>19,330</u>	<u>15,589</u>
Fees		
Water connection fees	265	261
Sewer application fees	83	159
Certificate fees water	34	32
Fees other	646	155
Total fees	<u>1,028</u>	<u>607</u>
Total user charges and fees	<u>20,358</u>	<u>16,196</u>
(c) Interest		
Water interest	601	209
Water fair value adjustment	(231)	987
Sewer interest	1,508	218
Sewer fair value adjustment	(1,125)	1,028
Total interest revenue	<u>753</u>	<u>2,442</u>
(d) Other revenues		
Other revenue	569	145
Total other operating revenue	<u>569</u>	<u>145</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 2 – Revenues (contd)

	OPERATING		CAPITAL	
	Actual		Actual	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
Pensioners rate subsidies				
- Water	617	653		
- Sewer	653	653		
Water supplies	(32)	567	321	927
Sewerage services		61		40
Other				
Total grants	1,238	1,934	321	967
(f) Contributions				
Developer contributions				
Drainage			1,115	1,197
Water	5	2	500	897
Sewerage		12	522	612
Other councils joint works				
Contributed assets			2,572	887
Drainage				547
Water				392
Sewer				
Other	161	126	116	9
Total contributions and donations	166	140	4,825	4,541
Total grants and contributions	1,404	2,074	5,146	5,508

Notes to the Financial Statements for the year ended 30 June 2009

Note 3 – Expenses

	Actual 2009 \$'000	Actual 2008 \$'000
(a) Employee costs		
Salaries and wages	13,256	11,351
Travelling		
Employee leave entitlements	2,247	1,824
Superannuation	936	755
Workers' compensation insurance	273	400
FBT		
Payroll tax	823	983
Training costs (excluding salaries)	134	49
Other		
	<u>17,669</u>	<u>15,362</u>
Less: Capitalised and distributed costs	2,802	2,225
Total employee costs expensed	<u>14,867</u>	<u>13,137</u>
(b) Borrowing costs		
Interest on loans	7,248	6,730
Interest on other debts	98	49
Total borrowing costs expensed	<u>7,346</u>	<u>6,779</u>
(c) Materials and contracts		
Raw materials and consumables	7,151	4,956
Contract and consultancy costs	3,238	6,851
Auditor's remuneration		
- Audit services	77	69
- Other services		5
Legal expenses		467
Operating lease rentals	45	42
Total materials and contracts	<u>10,511</u>	<u>12,390</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 3 – Expenses (contd)

	Actual 2009 \$'000	Actual 2008 \$'000
(d) Depreciation and amortisation		
Plant and equipment	71	78
Office equipment	44	44
Furniture and fittings	13	14
Property plant and equipment leased		
Land improvements		
Buildings		27
Other structures		
Infrastructure		
storm water drainage	1,724	1,712
water supply network	10,588	10,912
sewerage network	12,792	12,584
Other assets		
other	247	247
Total depreciation costs expensed	<u>25,479</u>	<u>25,618</u>
(e) Other expenses		
Bad and doubtful debts	(19)	20
Insurances	2	17
Contributions and donations	109	75
Electricity	2,111	2,058
Gas charges	632	612
Bank fees and charges	43	47
Water tank, washing machine rebate scheme	626	1,013
Plant hire	2,942	2,471
Telephone charges	85	75
Tipping fees	1,046	1,084
Administration support	11,800	8,522
Other expenses	3,612	5,848
Total other operating expenses	<u>22,989</u>	<u>21,842</u>

**Notes to the Financial Statements
for the year ended 30 June 2009**

Note 4 – Gain or loss on disposal of assets

	Actual 2009 \$'000	Actual 2008 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal		
Less: Carrying amount of assets disposed		
Gain (or loss) on disposal	<u>0</u>	<u>0</u>
Gain (or loss) on disposal of Plant and equipment		
Proceeds from disposal		
Less: Carrying amount of assets disposed		
Gain (or loss) on disposal	<u>0</u>	<u>1 (1)</u>
Gain (or loss) on disposal of Real estate assets held for sale		
Proceeds from sales		
Less: Cost of sales		
Gain (or loss) on disposal	<u>0</u>	<u>0</u>
Gain (or loss) on disposal of Infrastructure assets		
Proceeds from disposal		
Less: Carrying amount of assets disposed		
Gain (or loss) on disposal	<u>0</u>	<u>0</u>
Gain (or loss) on disposal of Financial instruments		
Proceeds from disposal	43,319	50,637
Less: Carrying amount of assets disposed	43,319	50,637
Gain (or loss) on disposal	<u>0</u>	<u>0</u>
Total gain (or loss) on Disposal of assets	<u>0</u>	<u>(1)</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 5 – Cash assets and investments

	Actual 2009		Actual 2008	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Cash				
Cash on hand and at bank	13		2,197	
Deposits at call	5,252			
Total cash assets	5,265		2,197	
Financial assets at fair value through profit and loss				
Managed funds				
At beginning of year	41,500		34,767	
Revaluation adjustments	(1,356)		2,015	
Additions	4,086		54,835	
Disposals	(35,795)		(50,117)	
At end of year	8,435		41,500	
Held to maturity investments				
At beginning of year	1,598		2,118	
Additions	32,050	1,278		
Disposals	(7,524)		(520)	
At end of year	26,124	1,278	1,598	
Total investment securities	34,559	1,278	43,098	
Total cash assets and investment securities	39,824	1,278	45,295	
Restricted cash assets and investments Summary				
	2009		2008	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
External restrictions				
- Included in liabilities	7,935		10,132	
- Included in revenue	31,091	1,278	30,478	
Total external restrictions	39,026	1,278	40,610	
Internal restrictions				
- Included in liabilities	760		777	
- Other			1,710	
Total internal restrictions	760		2,487	
Total unrestricted	38		2,198	
Total cash assets and investment securities	39,824	1,278	45,295	

Notes to the Financial Statements for the year ended 30 June 2009

Note 5 – Cash assets and investments (contd)

Restricted cash assets and investments Detail

	2009		2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
External restrictions				
- Included in liabilities				
Specific purpose unexpended loans	6,233		8,534	
Self insurance claims	1,702		1,598	
Other				
- Included in revenue				
Specific purpose unexpended grants	505		357	
Water contributions	5,825		5,233	
Drainage contributions	11,998	639	12,338	
Sewerage contributions	12,763	639	12,550	
Other				
Total external restrictions	39,026	1,278	40,610	
Internal restrictions				
- Included in liabilities				
Self insurance claims				
Employee leave entitlements	760		777	
- Other				
Refurbishment water				
Water equalisation				
Sewer refurbishment			1,710	
Working capital				
Total internal restrictions	760		2,487	

Notes to the Financial Statements for the year ended 30 June 2009

Note 6 – Receivables

Purpose	Actual 2009		Actual 2008	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Annual charges	2,169	48	2,170	36
Interest and extra charges	352		392	
Government grants and subsidies	134		(177)	
Accrued revenues	9,846		8,927	
User charges and fees	2,781		2,709	
Other	1,127	647	2,480	711
Total	16,409	695	16,501	747
Less: Provision for doubtful debts	5		24	
Total	16,404	695	16,477	747

Water and Sewer charges, interest and 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%, effective 5 March 2009. (2008/2009 10.00%).

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 amounts have been written off against the provision in the past two years.

**Notes to the Financial Statements
for the year ended 30 June 2009**

Note 7 – Other assets

	Actual 2009		Actual 2008	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Inventories				
- Trading stock	289		363	
	<u>289</u>		<u>363</u>	
Intangible assets				
Prepayments				
Information systems development costs (from note 16)		1,183		1,430
		<u>1,183</u>		<u>1,430</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 8 – Infrastructure, property, plant and equipment

Class of asset	At Cost	Fair Value	Accum. Depn.	WDV	Asset Purchases	Asset Disposals	Depn.	Transfers	Adjustments	Revaluation increments/ decrements	At Cost	Fair Value	Accum. Depn.	WDV
	2008 \$'000				Movements during year \$'000						2009 \$'000			
Water supply														
Capital WIP	16,865			16,865	12,827			(26,839)			2,853			2,853
Plant - equipment	582		456	126	85		48				671		508	163
Office equipment	313		228	85	12		24				325		252	73
Furniture and fittings	145		76	69			11				145		87	58
Land #														
-Authority owned		11,749		11,749								11,749		11,749
Land improvements - depreciable														
Buildings														
Other structures	11		1	10							11		1	10
Infrastructure														
-water supply *		607,128	169,007	438,121	25		10,588	18,115		14,639		645,982	185,670	460,312
-stormwater drainage	171,914		41,428	130,486	3,111		1,724	8,724			183,749		43,152	140,597
Total water supply	189,830	618,877	211,196	597,511	16,060		12,395			14,639	187,754	657,731	229,670	615,815
Sewerage services														
Capital WIP	2,093			2,093	(804)			(528)			761			761
Plant - equipment	586		523	63			23				586		546	40
Office equipment	451		395	56			19				451		414	37
Furniture and fittings	55		42	13	1		3				55		44	11
Land #														
-Authority owned		9,075		9,075								9,075		9,075
Land improvements - depreciable														
Buildings														
Other structures														
Infrastructure														
-sewerage assets *		521,440	135,219	386,221	4,849		12,792	528		16,401		550,961	155,754	395,207
Total sewerage services	3,185	530,515	136,179	397,521	4,046		12,837			16,401	1,853	560,036	156,758	405,131
Total	193,015	1,149,392	347,375	995,032	20,106		25,232			31,040	189,607	1,217,767	386,428	1,020,946

Note: Depn. = Depreciation

* The Authority revalued its water and sewerage infrastructure assets at 30 June 2007, internally, using the Modern Engineering Equivalent Replacement Asset methodology. Included in the carrying values at 1 July 2008 are revaluation increments of \$153.9m and \$104.4m for water infrastructure and sewerage infrastructure respectively.

The Authority revalued its land assets as at 30 May 2008 based in valuations supplied by Robertson and Robertson, an independent valuation and property consultancy.

Notes to the Financial Statements for the year ended 30 June 2009

Note 9 – Payables, interest bearing liabilities and provisions

Item	Actual 2009		Actual 2008	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Payables				
Goods and services	2,275		1,495	
Payments received in advance	1,100		684	
Accrued expenses	4,055		5,409	
Accrued interest	1,166		1,282	
Accrued salaries and wages	112		42	
Bonds	207		204	
Total payables	8,915		9,116	
Interest bearing liabilities				
Bank overdraft				
Loans	7,129	103,929	7,324	111,058
Government advances				
Ratepayers' advances				
Finance lease liability				
Deferred payment liabilities				
Advance - Wyong Shire Council	20,000			
Total interest bearing liabilities	27,129	103,929	7,324	111,058
Provisions				
Employee leave entitlements payable < 12 months	1,132	59	1,112	55
Employee leave entitlements payable > 12 months	3,082		2,790	
Self insurance claims	159	1,212	206	930
Payroll tax	16	70	252	3
Dividend				
Insurance	19		9	
Total provisions	4,408	1,341	4,369	988

Movements in provisions - Non-employee provisions

	2009		2008	
	Self Insurance Claims	Other \$'000	Self Insurance Claims	Other \$'000
Opening balance	1,136	264	1,444	267
Self insurance payments	(273)		(400)	
Increase in provision	508	10	92	(3)
Increase/decrease in payroll tax liability on Employee leave entitlements		(169)		
Dividend paid				
Closing balance	1,371	105	1,136	264

Notes to the Financial Statements for the year ended 30 June 2009

Note 10 – Statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents includes "at call" deposits with financial institutions. Term deposits with an original maturity date 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.

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

	Actual 2009 \$'000	Actual 2008 \$'000
Cash and cash equivalents	5,265	2,197
Sub total	5,265	2,197
Less bank overdraft	<hr/>	<hr/>
Balances as per statement of cash flows	<hr/> 5,265 <hr/>	<hr/> 2,197 <hr/>

(b) Reconciliation of change in net assets to cash inflow/outflow from operating activities

Change in net assets from operations	(22,290)	(21,972)
Add: Depreciation and amortisation	25,479	25,618
Non cash asset adjustment expense		20
Increase in provision for doubtful debts		20
Increase in employees' leave entitlements	316	
Increase in other provisions	76	
Decrease in receivables	144	
Decrease in inventories	74	11
Decrease in other current assets	247	269
Increase in payables	780	
Increase in accrued interest payable		
Increase in accrued salaries and wages	70	
Increase in other current liabilities		1,596
Loss on sale of assets	<hr/>	<hr/> 1
Carried down	4,896	5,543

**Notes to the Financial Statements
for the year ended 30 June 2009**

Note 10 – Statement of cash flows (contd)

	Actual 2009 \$'000	Actual 2008 \$'000
Brought down	4,896	5,543
Less: Decrease in provision for doubtful debts	19	
Decrease in employee leave entitlements		139
Decrease in other provisions		311
Non cash donations	2,572	1,826
Non cash asset adjustment revenue		
Increase in receivables		1,595
Increase in inventories		
Increase in other current assets		
Decrease in payables		2,236
Decrease in accrued interest payable	116	
Decrease in accrued salaries and wages		226
Decrease in other current liabilities	935	
Fair Value revaluation of investment assets	(1,356)	2,015
Net cash provided by (used in) operating activities	<u>2,610</u>	<u>(2,805)</u>
(c) Non-cash financing and investing activities		
-Acquisition of assets by means of:		
- Finance leases		
-PWD construction		
-Developer contributions received In kind	2,572	1,826
-Other		
	<u>2,572</u>	<u>1,826</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 11 - Financial Risk

Risk Management

The Authority borrows money to fund infrastructure developments and other community projects, and also invests its surplus funds. These activities expose the Authority to a number of risks 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.

Wyong Shire Council employs an investment advisor to assist in managing the risks associated with investment of surplus funds, including those of the Authority. 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 Authority held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets				
Cash and Cash equivalents	5,187	2,197	5,187	2,197
Receivables	17,099	17,224	17,099	17,224
Financial assets at fair value through profit or loss	8,435	41,500	8,435	41,500
Held-to-maturity investments	27,480	1,598	27,480	1,598
	58,201	62,519	58,201	62,519
Financial Liabilities				
Payables	8,915	9,116	8,915	9,116
Borrowings	131,058	118,382	109,809	107,217
	139,973	127,498	118,724	116,333

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 cash-flows 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 1 July 2009. 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 2009.

(a) Cash and investments (cash and cash equivalents, financial assets at fair value through profit and loss and held-to-maturity investments)

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

The Authority 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.

Wyong Shire Council seeks advice from its investment advisor prior to the purchase of investments, including those bought on behalf of the Authority.

Sensitivity Analysis

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

The impact to the Authority of a 10% movement in the price of investments as at 30 June 2009 would be a gain or loss in the income statement of \$0.84 million (\$4.2 million at 30 June 2008).

The estimated impact of a 1% movement in interest rates at 30 June 2009 would be a gain or loss (reflected in the income statement) of \$0.34 million (\$0.04 million at 30 June 2008).

(b) Receivables

The Authority's major receivable amounts are

- annual charges
- fees and user charges

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

Other outstanding debts are monitored monthly and assessed for acceptable collection performance. The Authority makes an impairment provision for these debts.

The Authority's Annual Charges debtor balances are rolled over into the overdue category at the end of the financial year. Annual Charges outstanding at 30 June 2009 represented 6.75% of the amount collectible.

The Other Receivables balance at 30 June 2009 represented 13.4% of the total value of fees and user charges (30 June 2008 17%) 32% of the Other Receivables balance at reporting date was overdue, compared to 33.4% the previous year.

(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.

2009 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	
				Contractual cash flows	Carrying values
Payables	8,915			8,915	8,915
Borrowings	14,385	45,801	124,520	184,706	131,058
	<u>23,300</u>	<u>45,801</u>	<u>124,520</u>	<u>193,621</u>	<u>139,973</u>

2008 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	
				Contractual cash flows	Carrying values
Payables	9,116			9,116	9,116
Borrowings	12,618	32,525	93,279	138,422	118,382
	<u>21,734</u>	<u>32,525</u>	<u>93,279</u>	<u>147,538</u>	<u>127,498</u>

The Authority incurred no significant overdraft debt in the year ending 30 June 2009. 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.

The Authority'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 2009 the amount of undrawn loans was nil.

The weighted average borrowing rate (based on nominal interest rates and nominal amount advanced) was 6.61 % as at 30 June 2009 (8.7 % at 30 June 2008.)

Notes to the Financial Statements for the year ended 30 June 2009

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 pipework, weirs, dams, treatment plants and bulk water distribution.

The Council of Wyong Water Supply Authority had a 49.01% interest in the output of the joint venture for the period ending 30 June 2009.

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

	Actual 2009 \$'000	Actual 2008 \$'000
Current assets		
Receivables		
Investments		
Inventories		
Non-current assets		
Receivables		
Investments		
Infrastructure, property, plant and equipment	<u>188,864</u>	<u>184,950</u>
	188,864	184,950
Share of assets employed in joint venture	<u>188,864</u>	<u>184,950</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 2009 \$'000	Actual 2008 \$'000
Maintenance and operations expenditure		
Incurred by Wyong Shire Council	4,465	4,514
Wyong Shire Council's share of costs under the agreement	4,774	4,534
Equalisation payment to Gosford City Council	<u>309</u>	<u>20</u>
Interest expense		
Incurred by Wyong Shire Council	4,060	2,076

Notes to the Financial Statements for the year ended 30 June 2009

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

Council is a member of Statewide Mutual, 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.

Given that there is no reliable measure of the actual asset or liability likely to arise for Council, no asset or liability has been recognised in the accounts.

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 \$6.0million 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 the Financial Statements
for the year ended 30 June 2009**

Note 14 – Commitments

	Actual 2009 \$'000	Actual 2008 \$'000
Capital expenditure commitments		
Property, plant and equipment		
not longer than one year	6,018	4,271
longer than one year but not longer than five year		
longer than five years		
	<u>6,018</u>	<u>4,271</u>
Other expenditure commitments		
Maintenance		
not longer than one year	406	437
longer than one year but not longer than five year		
longer than five years		
	<u>406</u>	<u>437</u>
Other services		
not longer than one year	399	271
longer than one year but not longer than five year		
longer than five years		
	<u>399</u>	<u>271</u>

**Notes to the Financial Statements
for the year ended 30 June 2009**

Note 15 – Revaluation reserve and retained earnings

	2009 \$'000	2008 \$'000
(a) Revaluation reserve		
- Infrastructure, property, plant and equipment		
Balance at beginning of reporting period	299,859	258,230
Add: Revaluation increments transferred to reserve relating to:		
Water infrastructure assets	14,640	14,165
Sewerage infrastructure assets	16,401	16,610
Operational land		10,854
Subtotal	<u>31,041</u>	<u>41,629</u>
Less: Revaluation decrements		
Balance at end of reporting period	<u>330,900</u>	<u>299,859</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	626,630	650,930
Dividend payment	(342)	(343)
Net operating result for the year	(22,290)	(23,957)
Balance at end of reporting period	<u>603,998</u>	<u>626,630</u>

Notes to the Financial Statements for the year ended 30 June 2009

Note 16 – Intangible assets

Year ended 30 June 2008

Opening net book amount	1,677
Additions - acquisition	
Amortisation charge	<u>(247)</u>
Closing net book amount	<u>1,430</u>

At 30 June 2008

Cost	2,469
Accumulated amortisation and impairment	<u>(1,039)</u>
Net book amount (to note 7)	<u>1,430</u>

Year ended 30 June 2009

Opening net book amount	1,430
Additions - acquisition	
Amortisation charge	<u>(247)</u>
Closing net book amount	<u>1,183</u>

At 30 June 2009

Cost	2,469
Accumulated amortisation and impairment	<u>(1,286)</u>
Net book amount (to note 7)	<u>1,183</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.