



Wyong Shire Council
General purpose financial statements
 for the year ended 30 June 2011

Contents:

	Page
Statement by Councillors and Management	2
Principal financial statements	
Income statement	3
Statement of comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Auditors' report on the financial statements [s 417 (2)]	61
Auditors' report on the conduct of the audit [s 417 (3)]	62

These financial statements are general purpose financial statements of Wyong Shire Council and its controlled entities, and are presented in Australian currency.

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

Wyong Shire Council is constituted under the *Local Government Act 1993* and has its principal place of business at 2 Hely Street, Wyong, NSW 2259. This report was issued by Council on 12 October 2011 and Council has the power to amend and reissue the report.

Through the use of the internet we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, financial reports and other information are available on our website www.wyong.nsw.gov.au

Wyong Shire Council

General Purpose Financial Statements for the year ended 30 June 2011

Statement by Councillors and Management made pursuant to section 413 (2)(c) of the Local Government Act 1993 (as amended)

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

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

To the best of our knowledge and belief, these Statements;

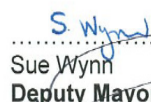
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 12 October 2011.



Robert Graham
Mayor



Sue Wynn
Deputy Mayor



Michael Whittaker
General Manager



David Jack
Responsible Accounting Officer

Wyong Shire Council Income statement

for the year ended 30 June 2011

Budget 2011* \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
	Income from continuing operations:			
	Revenue:			
122,260	Rates and annual charges	3(a)	119,020	113,233
58,080	User charges and fees	3(b)	53,675	51,679
8,720	Interest and investment revenue	3(c), 16(a)	8,905	8,522
1,570	Other	3(d)	2,680	5,451
19,430	Grants and contributions operating	3(e,f), 16(a)	23,546	23,330
39,760	Grants and contributions capital	3(e,f), 16(a)	43,406	29,423
	Other income:			
15,140	Net gain from the disposal of assets	5	-	131
<u>264,960</u>	Total income from continuing operations		<u>251,232</u>	<u>231,769</u>
	Expenses from continuing operations:			
78,440	Employee benefits and on-costs	4(a)	74,877	76,462
12,710	Borrowing costs	4(b)	12,260	9,621
44,010	Materials and contracts	4(c), 16(a)	42,950	46,324
59,530	Depreciation and amortisation	4(d)	53,594	59,902
32,500	Other	4(e), 16(a)	40,017	40,025
-	Net loss from the disposal of assets	5	1,493	
<u>227,190</u>	Total expenses from continuing operations		<u>225,191</u>	<u>232,334</u>
<u>37,770</u>	Net operating result for the year		<u>26,041</u>	<u>(565)</u>
<u>37,770</u>	Attributable to: Wyong Shire Council		<u>26,041</u>	<u>(565)</u>
	Net operating result for the year before grants and contributions provided for capital purposes			
<u>(1,990)</u>			<u>(17,365)</u>	<u>(29,988)</u>

* Original budget as approved by Council - refer note 16

This statement is to be read in conjunction with the accompanying notes.

Wyong Shire Council

Statement of comprehensive income

for the year ended 30 June 2011

Budget 2011 \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
<u>37,770</u>	Net operating result for the year		<u>26,041</u>	<u>(565)</u>
	Other comprehensive income			
	Gain / (Loss) on revaluation of infrastructure, property, plant & equipment	20,9a	80,406	118,744
	Gain / (Loss) on revaluation of available for sale investments			
	Realised available - for-sale investment gains recognised in revenue			
	Derecognition of land under roads			
	Write off assets at closed landfill sites			
<u>-</u>	Adjustment to correct prior period depreciation errors	20,9a	<u>-</u>	<u>25,715</u>
	Total other comprehensive income for the year		80,406	144,459
37,770	Total comprehensive income for the year		106,447	143,894
<u>37,770</u>	Attributable to: Wyong Shire Council		<u>106,447</u>	<u>143,894</u>

This statement is to be read in conjunction with the accompanying notes.

Wyong Shire Council Balance Sheet

As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	51,799	49,202
Investments	6	69,447	73,976
Receivables	7	35,979	37,592
Inventories	8	2,088	2,169
Other	8	366	414
Total current assets		159,679	163,353
Non-current assets			
Investments	6	16,992	4,164
Receivables	7	1,422	1,330
Intangible assets	22	2,515	3,266
Infrastructure, property, plant and equipment	9	2,037,332	1,917,686
Total non-current assets		2,058,261	1,926,446
Total assets		2,217,940	2,089,799
Liabilities			
Current liabilities			
Payables	10	46,989	52,615
Borrowings	10	10,818	10,708
Provisions	10	28,742	32,486
Total current liabilities		86,549	95,809
Non-current liabilities			
Payables	10	52	40
Borrowings	10	179,444	163,812
Provisions	10	50,528	35,218
Total non-current liabilities		230,024	199,070
Total liabilities		316,573	294,879
Net assets		1,901,367	1,794,920
Equity			
Retained earnings	20	1,258,601	1,232,560
Asset revaluation reserves	20	642,766	562,360
Total equity		1,901,367	1,794,920

This statement is to be read in conjunction with the accompanying notes.

Wyong Shire Council Statement of changes in equity

for the year ended 30 June 2011

		2011					2010					
Note	Retained earnings \$'000s	Asset Revaluation Reserve \$'000s	Other Reserves \$'000s	Council Equity Interests \$'000s	Outside Equity Interests \$'000s	Total Equity \$'000s	Retained earnings \$'000s	Asset Revaluation Reserve \$'000s	Other Reserves \$'000s	Council Equity Interests \$'000s	Outside Equity Interests \$'000s	Total Equity \$'000s
Opening balance	20	1,232,560	562,360		1,794,920		1,207,412	443,616		1,651,028		1,651,028
Correction of errors Changes in accounting policies												
Restated opening balance		1,232,560	562,360		1,794,920		1,207,412	443,616		1,651,028		1,651,028
Net operating result for the year	20	26,041			26,041		25,148			25,148		25,148
Other comprehensive income	20		80,406		80,406			118,744		118,744		118,744
Total comprehensive income	20	26,041	80,406		106,447		25,148	118,744		143,892		143,892
Closing balance		1,258,601	642,766		1,901,367		1,232,560	562,360		1,794,920		1,794,920

This statement is to be read in conjunction with the accompanying notes.

Wyong Shire Council

Statement of cash flows

for the year ended 30 June 2011

Budget 2011 \$'000		Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities				
Receipts:				
122,256	Rates and annual charges		118,276	112,841
58,077	User charges and fees		51,490	51,650
8,488	Interest		6,529	5,980
52,139	Grants provided by government		46,272	42,776
6,058	Contributions and donations		5,427	8,826
2,800	Other		16,754	15,972
Payments:				
(78,440)	Employee benefits and oncosts		(75,724)	(73,853)
(44,010)	Materials and contracts		(34,848)	(38,778)
(12,711)	Interest		(10,649)	(8,340)
-	Operating leases		(889)	(784)
(32,504)	Other		(41,930)	(49,602)
82,153	Net cash provided by (or used in) operating activities	11(b)	80,708	66,688
Cash flows from investing activities				
Receipts:				
110,000	Sale of investments		63,152	118,524
19,500	Sale of real estate assets		-	249
1,813	Sale of property, plant and equipment		1,392	2,201
Payments:				
(130,000)	Purchase of investments		(69,243)	(112,862)
(123,517)	Purchase of property, plant and equipment		(89,155)	(103,200)
-	Purchase of real estate		-	-
(122,204)	Net cash provided by (or used in) investing activities		(93,854)	(95,088)
Cash flows from financing activities				
Receipts:				
30,207	Borrowings		26,450	70,339
-	Advances		-	-
Payments:				
(13,162)	Borrowings		(10,708)	(11,308)
-	Advances		-	-
-	Finance leases		-	-
17,045	Net cash provided by (or used in) financing activities		15,742	59,031
(23,006)	Net increase / (decrease) in cash held		2,596	30,631
49,203	Cash at beginning of reporting period		49,203	18,572
26,197	Cash at end of reporting period	11(a)	51,799	49,203

This statement is to be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2011

Index:

Note 1 – Summary of significant accounting policies	9
Note 2 – Functions	18
Note 3 – Revenues	20
Note 4 – Expenses	24
Note 5 – Gain or loss from the disposal of assets	26
Note 6 – Cash, cash equivalents and investments	27
Note 7 – Receivables	29
Note 8 – Inventories and other assets	30
Note 9 – Infrastructure, property, plant & equipment	32
Note 10 – Payables, borrowings and provisions	34
Note 11 – Reconciliation of operating result to net cash movement	36
Note 12 – Commitments for expenditure	38
Note 13 – Statements of performance measures	40
Note 14 – Investment properties	42
Note 15 – Financial risk management	43
Note 16 – Material budget variations	46
Note 17 – Statement of developer contributions	47
Note 18 – Contingencies	54
Note 19 – Interests in joint ventures and associates	55
Note 20 – Revaluation reserve and retained earnings	56
Note 21 – Results by fund	57
Note 22 – Intangible assets	59
Note 23 – Reinstatement, rehabilitation and restoration liabilities	60

Notes to the financial statements for the year ended 30 June 2011

Note 1 – Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Local Government Act 1993* and Regulation, and the *Local Government Code of Accounting Practice and Financial Reporting*.

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 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

(b) Revenue recognition

WSC recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of WSC's activities as described below. WSC bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when WSC obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required

but WSC may apply contributions according to the priorities established in work schedules.

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

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

Revenue is recognised when WSC 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 WSC and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on WSC's operations during the current year. 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.

User charges and fees

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

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.

(c) Consolidation principles

The Consolidated Fund

WSC is required to maintain a Consolidated Fund (*Local Government Act 1993* s 409(1)). The fund is to receive all WSC cash and property income except for those assets specifically required to be held in the WSC Trust Fund.

These financial statements include the consolidated fund and other entities through which WSC controls resources to carry on its functions.

The following entities are included as part of the Consolidated Fund:

- General purpose operations
- Wyong Shire Council Water Supply Authority, established under the *Water Management Act 2000*
- Committees established under the *Local Government Act 1993* s 355

The Trust Fund

In accordance with the provisions of the *Local Government Act 1993* s 411, a separate and distinct Trust Fund is maintained to account for all monies and property received by WSC in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to these monies. Trust monies and property subject to WSC's control have been included in these reports.

Trust monies and property held by WSC but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at WSC Office by any person free of charge.

Joint ventures - jointly controlled assets

Wyong Shire Council Water Supply Authority is a joint venturer in the provision of core water supply infrastructure serving both Gosford and Wyong council areas. The proportionate interests in the assets, liabilities and expenses of this joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture, including the Authority's share in assets and expenses, are set out in note 19 below.

Central Coast Water Corporation

In 2011 Wyong Shire Council has obtained a new shareholding interest in the Central Coast Water Corporation which was formed on 23/2/2011 by the NSW Parliament under the Central Coast Water Corporation Act. Under the Constitution Wyong Shire Council will hold a 50% shareholding in the new Corporation, with Gosford City Council the only other Shareholder. As at 30 June 2011 the Central Coast Water Corporation has not become operational, and no Directors have been formally appointed by the NSW Governor. As at 30 June 2011 there were no assets or liabilities held by the Central Coast Water Corporation, and no value has been attributed to the shareholding in Wyong Shire Council's annual financial statements. The business model for the Central Coast Water Corporation has not yet been determined and as such there can be no reliable identification or estimate of any potential transfer of assets, liabilities or operations to the new entity, nor any timeframes for this to occur.

(d) Leases

Leases of property, plant and equipment, where the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. WSC presently has no obligations under finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where WSC is a 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 given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in future are discounted back to their present value as at the date of exchange. The discount rate used is WSC's incremental borrowing rate, or the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(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, on deposit, and on call, and also short-dated investments, with known or readily estimable payouts and an original term to maturity of 90 days or less.

Bank overdrafts are classified as a borrowing in the current liabilities section of the balance sheet.

(h) Receivables

Loans made to sporting and community groups at concessional interest rates are recognised at their nominal amounts; interest revenues foregone by WSC effectively being a reduction of interest revenue in the period to which it relates.

(i) Inventories

Raw materials and stores, works in progress and finished goods

Raw materials and stores, works in progress and finished goods are stated at the lesser of cost and net realisable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure where there is an appropriate basis for allocating such costs. Net realisable value is the estimated selling price in the normal course of business less any

related transaction costs.

WSC does not currently operate any cash flow hedging in relation to the purchase of supplies.

WSC has three centralised store facilities. Inventories held in store have been valued by using the weighted average cost on a continual basis, after any necessary adjustment for loss of service potential. Discounts and premiums on purchase are included in the calculation of average cost.

Land held for resale

Land held for resale is stated at the lesser of cost and net realisable value. Cost is assigned by specific identification and includes the costs of acquisition and development and of directly attributable borrowing costs during development. If the development is complete, or if development has been interrupted due to significant external factors, borrowing costs are treated as an expense.

(j) Non current assets (or disposal groups) held for sale and discontinued operations

As at the reporting dates 30 June 2010 and 30 June 2011 WSC carried no amount on its balance sheet in respect of non current assets held for sale or in respect of discontinued operations, and has not recorded any income or expense transactions related to these categories in the financial years ending on those dates.

Non current assets are classified as held for resale if their carrying amount will be principally recovered through a sale transaction.

Discontinued operations are WSC functions or projects which will be, or have been transferred, to another entity. Generally, WSC would receive some amount of compensation for the value of assets transferred.

(k) Investments and other financial assets

Classification

WSC classifies its investments and financial assets under 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. WSC does not hold, and never has held, any derivative financial assets. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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. WSC classifies financial assets as fair value through profit and loss if WSC 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 investments

WSC defines financial assets as held to maturity where amounts receivable are fixed or determinable and WSC has a positive intention of holding the asset until maturity. If WSC 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 WSC 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 WSC intends to dispose of the asset within 12 months of the reporting date.

Financial assets – reclassification

WSC may choose to reclassify a non derivative investment out of the fair value through profit and loss category if the asset is no longer held for the

purpose of sale in the near term. This would usually be in exceptional circumstances only, circumstances such as a significant and unique event unlikely to recur in the near term.

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

Effective interest rates for financial assets transferred into the fair value through profit and loss, or held to maturity, categories are determined at the transfer date.

Financial assets – recognition

Investments are generally recognised at trade date. This is date on which consideration is received by the investment counterparty. Incidental costs of acquisition for financial assets classified as fair value through profit and loss are expensed, and for other categories, are treated as part of the direct acquisition cost.

Financial assets - subsequent measurements

Loans and receivables, and held-to-maturity investments are carried at amortised cost using the effective interest method. Other financial assets are held at carried at fair value. Capital gains or losses on held-to-maturity investments, and realised losses on available for sale investments, are disclosed as fair value adjustments (investments) in Note 3 following. Dividend income from fair value through profit and loss investments is recognised as investment income when WSC's right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l).

Financial assets – de-recognition

Investments are derecognised when the rights to future cash flows pass to the investment counterparty. If the investment is classified as available for sale, accumulated fair value adjustments that had been recognised in equity are included in the income statement as gains and losses from investment securities.

Financial assets – impairment

WSC assesses the extent to which its financial assets have been impaired as at each reporting date.

Impairment on assets held at amortised cost is calculated as the difference between carrying costs and the estimated present value of future cash flows. The original effective rate for calculating amortised cost is to be used in this new calculation. The amount of the loss is recognised in the income statement.

For available for sale investments a prolonged period of decline in market values is taken as an indication that an asset may be impaired. Recognition of the impairment involves transferring the substantial amount of such a loss from equity to the income statement. Once such recognition has been made, it cannot be reversed.

Investment policy

WSC has an approved investment policy which conforms to the requirements of the *Local Government Act 1993*, regulations made under the Act, and the Ministerial Local Government Investment Order.

Investments are placed in accordance with the policy. WSC's policy ensures that it or its representatives exercise prudence, care, diligence and skill in the investment of funds.

Some investments made in a past period no longer fall within the investment guidelines, but are able to be retained because of the grandfathering provisions of the Order.

(l) 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 WSC for similar financial instruments.

(m) Infrastructure, property, plant & equipment

(IPPE)

WSC's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. At balance date all classes of IPPE were stated at their fair value, including:

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Water/Sewerage Networks
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (external valuation).
- Drainage assets – (external valuation)
- Community land, land improvements and other structures (internal valuation)
- Library books (internal valuation).

WSC does not at present have sufficient data to assess the valuation of earthworks under roads but will be progressively carrying out measurements of earthworks as part of its regular inspection programme.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual. For all other assets, WSC assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, WSC determines the asset's fair value and revalues the asset to that amount.

Generally, full revaluations are undertaken for all assets on a 5 year cycle. Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to WSC 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, as follows:

Buildings	20 to 100 years
Vehicles	6 to 10 years
Heavy Plant	6 to 10 years
Office Equipment	5 to 10 years
Dams	150 years
Water Mains	50 to 80 years
Water Treatment Plants - Civil	50 to 100 years
Water Treatment Plants - Other	20 to 40 years
Sewerage Treatment Plants - Civil	50 to 100 years
Sewerage Treatment Plants - Other	20 to 40 years
Sewerage Pipelines and Mains	50 to 80 years
Drainage Assets	80 to 120 years
Concrete Bridges	80 years
Road Surface:	
* Asphalt surface	25 years
* Spray Seal surface	12 years
* Slurry Seal surface	12 years
* Open Graded AC	12 years
* Concrete surface	50 years
* Gravel	5 years
* Earth	30 years
* Other	2-30 years
Road Structure:	
* Gravel Base and Sub Base	80 years
* Other	10 to 80 years

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

The carrying amount of an asset is written down to its recoverable amount if the recoverable amount is the lesser of the two.

Gains or losses on disposals are disclosed in the Income Statement and are calculated by comparing carrying value with sale proceeds.

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

(1993). This classification is made in Note 9(a).

(n) Investment property

In the period ended 30 June 2011 WSC had no investment properties.

(o) Payables

Payables in the balance sheet are amounts owing at balance date for goods or services provided to WSC before the end of the reporting period. Suppliers are normally paid 30 days after the month of invoice. No interest is payable on these amounts, unless agreed to in advance by both parties.

(p) Borrowings

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.

(q) Borrowing costs

Borrowing costs are added to capital project costs if the project is funded by loan and the resulting asset is not yet in service.

(r) Provisions

Provisions are a monetary estimate of those of WSC's future legal obligations which will have been the result of past events. Estimated future payments are discounted back to present values if the amount of the discount is material. Discount rates are chosen in accordance with the nature of the liability being considered. Increases in provisions because of the passage of time are treated as an interest expense. The Provision for Public Liability includes an estimated liability for known claims and an uplift factor of 20% for the potential value of unknown claims.

(s) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating

sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured in accordance with the projected unit credit method. Consideration is given to experience of employee departures and periods of service.

Projected unit credit method

The projected unit credit method is the actuarial method, prescribed by AASB 119, used to determine the actuarial present value of an entity's defined benefit obligations and the related service cost. This method takes into account benefits accrued for employee service up to the reporting date and allows for expected rates of salary increases. The rates used to discount employees' benefit obligations shall be determined by reference to market yields on the reporting balance sheet date on Commonwealth government bonds.

Superannuation - schemes

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

Superannuation – 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.

Superannuation - 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.

(t) Rounding

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

(u) Land under roads

WSC has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that were recognised before 1 July 2008 was derecognised at 1 July 2008 against the opening balance of retained earnings.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

(v) Provision for tip remediation

Tip remediation includes costs of closing down waste disposal sites, rehabilitating the land, and completion of environmental clean up tasks. WSC has a six year forward plan for restoring waste disposal sites and the tip remediation provision disclosed in Note 23 represents the net present value of the planned expenditure.

(w) Allocation between current and non-current assets and liabilities

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

current if it is expected to be settled within the ensuing 12 months, being WSC's operational cycle. In the case of liabilities where WSC 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(x) Self insurance

WSC has determined to self-insure for workers' compensation risks. A provision for self-insurance has been made to recognise outstanding claims. WSC also maintains cash and investments to meet expected future claims.

(y) Intangible assets

IT development and software

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 as direct labour and material costs. These will give rise to future economic benefits. WSC's contribution to these costs has been capitalised as an intangible asset to be amortised over the period of the contract.

(z) Crown reserves

Crown reserves under WSC's care and control are recognised as assets, as are any associated capital improvement works. Maintenance costs are recorded in the Income Statement.

(aa) Rural Fire Service assets

Section 119 of the *Rural Fire Services Act (NSW) 1997* provides that certain firefighting assets bought under the Act are vested in the appropriate council. WSC continues to hold Rural Fire Service assets on its balance sheet until there is statewide agreement on the appropriate accounting treatment for these assets.

(bb) 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. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables on the balance sheet.

Cash flows are disclosed on a gross basis. The GST component of cash flows arising from investing or financing activities, recoverable from, or payable to, the taxation authority are disclosed as operating cash flows.

(cc) Critical accounting estimates and assumptions

WSC makes estimates and assumptions regarding the future. Many of these estimates may not equal actual results. The estimates and assumptions which may cause significant accounting adjustments in following accounting periods are identified below,

Revaluation of infrastructure assets

Paragraph (m) in this note identified significant classes of infrastructure which are revalued on a five year cycle. In the revaluation process it is not possible to physically inspect all assets within an infrastructure asset class. Future inspection may result in WSC revising its estimates of the remaining useful life of some significant assets or asset components.

Tip and former tip remediation

At balance date, a provision for remediation is estimated based on the discounted present valuation of significant future remediation works. In some cases the works will occur many years in the future. Future events such as changing industry standards and new technologies may render the earlier estimates obsolete.

(dd) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. WSC's assessment of the impact of these new standards and interpretations is set out below.

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

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

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the WSC's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on the Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

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

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will have no impact on WSC.

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

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council's financial statements.

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

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Wyong Shire is a local government entity and, as a result, is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of Council.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011) Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on Council's disclosures.

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

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that are through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. This amendment will have no impact on WSC.

Notes to the financial statements for the
year ended 30 June 2011

Note 2(a) – Functions

Income, expenses and assets have been directly attributed to the following functions. Details of those functions are provided in Note 2(b).

Functions	Income from continuing operations			Expenses from continuing operations			Operating result			Grants included in income		Total assets held (current and non current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1. Governance	-	-	-	8,100	7,926	7,606	(8,100)	(7,926)	(7,606)	-	-	-	-
2. Society	11,280	15,450	37,470	52,915	41,562	32,661	(41,635)	(26,112)	4,809	7,445	4,266	342,183	272,705
3. Economy	-	22	4,177	3,801	3,126	9,132	(3,801)	(3,104)	(4,955)	-	-	1,808	2,891
4. Environment	7,415	5,118	7,471	7,558	4,558	11,769	(143)	560	(4,298)	3,312	5,335	153	10
5. Infrastructure	143,218	141,193	81,825	160,589	143,487	139,467	(17,371)	(2,294)	(57,642)	31,999	18,658	1,704,988	1,657,775
6. Organisation	34,161	15,675	29,072	(5,779)	24,532	31,699	39,940	(8,857)	(2,627)	51	1,994	168,808	156,418
Total functions	196,074	177,458	160,015	227,184	225,191	232,334	(31,110)	(47,733)	(72,319)	42,807	30,253	2,217,940	2,089,799
General purpose income	68,880	73,774	71,754	-	-	-	68,880	73,774	71,754	12,154	9,368	-	-
Operating result from continuing operations	264,954	251,232	231,769	227,184	225,191	232,334	37,770	26,041	(565)	54,961	39,621	2,217,940	2,089,799

Notes to the financial statements for the year ended 30 June 2011

Note 2(b) - Components of functions

The activities relating to the Council's functions reported on in note 2(a) are as follows:

Governance

Governance costs include elections, members' fees and expenses, meetings of council and policymaking committees, area representation, and public disclosure. This expenditure helps provide the framework to facilitate sound decision making.

Community

Activities include those relating to community support, community development, education, health, housing, community safety, transport management, leisure, recreation, open space, urban quality, noise and heritage. These activities are focussed on enhancing the quality of life of the Shire's residents, both now and in the future.

Economy

WSC activities contributing to a more sustainable economy fall under the headings of employment, labour force and wage structure, an economy offering residents employment opportunities and career paths, as well as the marketing and promotion of Council's town centres. These activities have the key objective of improving the socio-economic base of the Shire through achieving higher income levels.

Environment

Activities include those relating to land, water, biodiversity, air and climate. Such activities help ensure that human development takes place in the context of sustainable soil, water, and ecosystem resources, ensure water quality, protect the physical structure and vegetation of rivers and lakes, preserve the diversity of native species and mitigate the impacts of climate change.

Infrastructure

Infrastructure costs relate to the provision of roads, drainage, water supply, sewerage and waste management services. Key objectives are to develop a satisfactory standard of traffic movement, to minimise flood damage, to provide cost effective water supply and sewerage services, and to provide an economically and ecologically sustainable waste management system.

Organisation

Organisation costs include workforce management, finance, internal audit, equipment and support systems and holiday parks. The objects are to provide a motivated and skilled workforce, a sound financial position, and reliable and well managed support systems.

Notes to the financial statements for the
year ended 30 June 2011

Note 3 – Income from continuing operations

	Actual 2011 \$'000	Actual 2010 \$'000
(a) Rates and annual charges		
Ordinary rates		
Residential	48,067	46,272
Farmland	288	286
Mining	284	276
Business	7,196	7,030
Total ordinary rates	<u>55,835</u>	<u>53,864</u>
Special rates		
Water supply	-	-
Sewerage services	-	-
Environmental	-	-
Infrastructure	-	-
Stormwater	1,689	1,681
Town improvement	960	945
Parking	-	-
Main street	-	-
Tourism	-	-
Other	-	-
Total special rates	<u>2,649</u>	<u>2,626</u>
Annual charges		
Domestic waste management	20,179	18,415
Water supply	8,025	6,803
Sewerage services	25,704	25,054
Drainage	5,404	5,284
Waste management (not domestic)	1,187	1,153
Coastal protection	-	-
Section 611 charges	37	34
Other	-	-
Total annual charges	<u>60,536</u>	<u>56,743</u>
Total rates and annual charges	<u>119,020</u>	<u>113,233</u>
(b) User charges and fees		
User charges		
Water supply	20,289	20,671
Sewerage services	1,162	1,168
Total user charges	<u>21,451</u>	<u>21,839</u>

Notes to the financial statements for the
year ended 30 June 2011

**Note 3 – Income from continuing operations
(continued)**

	Actual 2011 \$'000	Actual 2010 \$'000
Fees		
Regulatory/Statutory certificates	872	919
Regulatory/Statutory other	104	46
Section 355 Committees	362	471
Property rents	1,392	1,150
Development applications	1,012	1,204
s603 certificates	242	276
Building inspection	441	471
Engineering design fees	395	407
Holiday parks	8,448	8,070
Child care	3,776	3,631
Tipping fees	10,067	9,784
RTA charges	2,794	1,473
Fees other	2,319	1,938
Total fees	32,224	29,840
Total user charges and fees	53,675	51,679
(c) Interest		
Interest on overdue rates and charges	869	805
Cash and investments	5,404	5,663
Fair value adjustments		
Investments	2,283	2,033
Premiums recognised on financial instruments	(75)	(74)
Amortisation of discounts and premiums		
- Interest free loan provided	4	95
Interest Other	420	-
Total interest revenue	8,905	8,522
(d) Other revenues		
Fines	627	327
Building inspection	-	-
Legal fees recovery (rates)	431	463
Legal fees recovery (other)	2	6
Asset inspection - adjustment to registers	-	3,169
Sewerage connections	165	131
Water connections	322	275
Insurance recoveries	65	170
Diesel fuel rebate	118	102
Sales general	21	45
Rangers security patrols	-	-
Sale of scrap metal	200	143
Building long service levy commission	11	14
Other	718	606
Total other operating revenue	2,680	5,451

Notes to the financial statements for the
year ended 30 June 2011

Note 3 – Income from continuing operations (continued)

	OPERATING		CAPITAL	
	Actual		Actual	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (untied)				
- Financial assistance	8,855	8,044	-	-
Pensioners rate subsidies				
- General	1,303	1,324	-	-
Specific purpose				
Pensioners rate subsidies				
- Water	681	677	-	-
- Sewer	663	662	-	-
- DWM	652	628	-	-
Water supplies	150	-	27,660	12,835
Sewerage services	-	-	39	1
Community centres	27	12	50	-
Fire protection	505	604	745	943
Health services	40	38	-	-
Child care	444	387	-	-
Youth services	17	1	-	-
Aged and disabled	31	31	-	-
Environmental protection	3,970	5,000	26	-
Libraries	351	376	28	-
Recreational facilities	2	-	3,670	92
Roads and bridges	2,379	1,844	1,841	3,902
Transport	226	218	-	-
Storm damage	-	-	-	-
Estuary management/Creek dredging	-	-	-	-
Other	581	665	25	1,337
Total grants	20,877	20,511	34,084	19,110
Comprising				
- Commonwealth funding	2,601	5,025	32,153	4,831
- State funding	18,226	15,486	1,930	14,279
- Other funding	50	-	-	-
	20,877	20,511	34,083	19,110

Notes to the financial statements
for the year ended 30 June 2011

Note 3 – Income from continuing operations (continued)

	OPERATING		CAPITAL	
	Actual		Actual	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(f) Contributions				
Developer contributions (S94)				
- Roadworks	-	-	188	(56)
- Drainage	-	-	334	303
- Traffic facilities	-	-	-	-
- Parking	-	-	-	60
- Open space	-	-	759	1,179
- Community facilities	-	-	515	1,162
- Other	-	-	9	12
RTA contributions	1,001	976	-	-
Water (S64)	-	-	401	2,268
Sewerage (S64)	-	-	290	945
Other Councils joint works				
Paving	-	-	25	5
Kerb and gutter	-	-	132	75
Contributed assets S.94 and S.64:				
- Community facilities	-	-	1,409	1,676
Other				
- Roads	-	-	426	672
- Drainage, water and sewer	-	-	719	2,000
Dedications*	-	-	4,010	(42)
Vehicle contributions by employees	1,031	1,013	-	-
Town planning	350	29	-	-
Other	287	801	105	54
Total contributions and donations	2,669	2,819	9,322	10,313
Total grants and contributions	23,546	23,330	43,406	29,423
	2011		2010	
	\$'000		\$'000	
(g) Restrictions relating to grants and contributions	Grants	Contrib.	Grants	Contrib.
Unspent at the close of the previous reporting period	4,931	47,390	7,393	48,996
Less spent in the current period from revenues recognised in previous periods				
- Section 94/64 Developer Contributions'	-	16,395	-	14,917
- Other	3,738	-	6,348	-
Subtotal	3,738	16,395	6,348	14,917
Plus: amounts recognised as revenues in the current period but not yet spent				
- Section 94/64 Developer Contributions	-	7,431	-	13,311
- Other	4,257	-	3,886	-
Subtotal	4,257	7,431	3,886	13,311
Unexpended at the close of this reporting period and held as restricted assets	5,450	38,426	4,931	47,390
Net increase (decrease) in restricted assets in the current reporting period	519	(8,964)	(2,462)	(1,606)

Council has used 2010 valuations provided by the NSW Valuer General in calculating its rates.

Notes to the financial statements
for the year ended 30 June 2011

Note 4 – Expenses from continuing operations

	Actual 2011 \$'000	Actual 2010 \$'000
(a) Employee benefits and on costs		
Salaries and wages	56,722	56,985
Travelling	11	2
Employee leave entitlements	12,524	13,949
Superannuation	7,516	7,739
Workers' Compensation Insurance	1,781	1,731
FBT	128	148
Payroll tax	1,651	1,484
Training costs (excluding salaries)	541	874
Other	912	731
	81,786	83,643
Less: Capitalised and distributed costs	6,909	7,181
Total employee costs expensed	74,877	76,462
Total number of employees	1,070	1149
<i>Note - Budget figures excluding apprentices, shown.</i>		
(b) Borrowing costs		
Interest on overdraft	4	1
Interest on loans	10,449	8,136
Interest on other debts	158	225
Discounts recognised on financial instruments	-	-
Amortisation of discounts and premiums	1,649	1,259
Tip Remediation		
	12,260	9,621
Total borrowing costs expensed	12,260	9,621
(c) Materials and contracts		
Raw materials and consumables	11,291	12,410
Contract and consultancy costs	29,796	30,493
Auditor's remuneration		
- Audit services	190	182
- Other services	-	-
Legal expenses		
- Planning and development	6	3
- Other	778	2,452
Operating lease rentals	889	784
Total materials and contracts	42,950	46,324

Notes to the financial statements
for the year ended 30 June 2011

Note 4 – Expenses from continuing operations (continued)

	Actual 2011 \$'000	Actual 2010 \$'000
(d) Depreciation and amortisation		
Plant and equipment	3,869	3,836
Office equipment	317	381
Furniture and fittings	121	124
Land improvements	2,429	3,938
Buildings	3,919	5,485
Other structures	1,263	1,035
Infrastructure		
roads, bridges and footpaths	11,495	11,191
storm water drainage	2,303	4,720
water supply network	11,584	11,537
sewerage network	13,941	13,507
Other assets		
heritage collections	-	-
library books	424	402
other	(145)	3
Tip depreciation	1,323	2,691
Intangibles - software	751	1,052
Total depreciation costs expensed	53,594	59,902
(e) Other expenses		
Bad and doubtful debts	26	26
Department Environment and Planning	147	150
Election expenses	-	1
Mayoral fees	54	52
Members' fees and allowances	195	196
Members' expenses	36	22
Insurances	1,686	1,876
Contributions and donations		
- Waste minimisation levy	9,766	10,670
- NSW Fire Brigade	1,178	1,083
- NSW Rural Fire Service	430	327
- The Entrance Town Centre	1,375	1,380
- Toukley Town Centre	143	139
- Wyong Town Centre	64	62
- Regional Development Corp.	219	266
- State Emergency Services	120	100
- Contributions and donations other	1,888	1,848
Street lighting	2,584	1,937
Electricity	4,321	3,455
Postage and telephone	996	796
Subscriptions and publications	231	178
Commissions	1,833	1,941
Gas charges	580	608
Planning NSW DA Fees	169	149
Bank fees and charges	406	452
Licences	688	549
Vehicle registrations	264	234
Valuer general fees	291	273
Water tank rebate scheme	3	143
Tip rehabilitation adjustment	10,960	11,000
Asset revaluation decrement	-	-
Other expenses	(636)	112
Total other operating expenses	40,017	40,025

Notes to the financial statements
for the year ended 30 June 2011

Note 5 – Gain or loss from the disposal of assets

	Actual 2011 \$'000	Actual 2010 \$'000
Disposal of property		
Proceeds from disposal	317	520
Less: Carrying amount of assets disposed	<u>350</u>	<u>730</u>
Gain (or loss) on disposal	<u>(33)</u>	<u>(210)</u>
Disposal of plant and equipment		
Proceeds from disposal	1,060	1,681
Less: Carrying amount of assets disposed	<u>882</u>	<u>1,539</u>
Gain (or loss) on disposal	<u>178</u>	<u>142</u>
Disposal of real estate assets held for sale		
Proceeds from sales	-	249
Less: Cost of sales	<u>-</u>	<u>50</u>
Gain (or loss) on disposal	<u>-</u>	<u>199</u>
Disposal of Infrastructure assets		
Proceeds from disposal	15	-
Less: Carrying amount of assets disposed	<u>1,653</u>	<u>-</u>
Gain (or loss) on disposal	<u>(1,638)</u>	<u>-</u>
Disposal of financial assets		
Proceeds from disposal	63,152	118,524
Less: Carrying amount of assets disposed	<u>63,152</u>	<u>118,524</u>
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
Net gain (or loss) from disposal of assets	<u>(1,493)</u>	<u>131</u>

Notes to the financial statements
for the year ended 30 June 2011

Note 6 – Cash and cash equivalents

(a) Cash and Cash Equivalents

Cash on hand and at bank
Deposits at call

Notes	Actual 2011		Actual 2010	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
	1,384	-	952	-
	50,415	-	48,250	-
11	51,799	-	49,202	-

(b) Investments

Summary

Financial assets at fair value through profit and loss
Held to maturity investments
Available for sale financial assets
Total investment securities

	5,204	7,903	26,081	-
	64,243	9,089	47,895	4,164
	-	-	-	-
	69,447	16,992	73,976	4,164

Financial assets at fair value through profit and loss:

At beginning of year
Revaluation to income statement
Additions
Disposals
Transfers from current
At end of year

	26,081	-	53,145	-
	2,283	-	2,033	-
	-	-	5,752	-
	(15,257)	-	(34,849)	-
	(7,903)	7,903	-	-
	5,204	7,903	26,081	-

Comprising:

- Managed funds
- CDO's
- FRN's
- Equity linked notes

	5,204	7,903	26,081	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	5,204	7,903	26,081	-

Held to maturity investments:

At beginning of year
Additions
Disposals
Amortisation of purchase premium
Transfers from current
At end of year

	47,895	4,164	24,460	4,239
	69,243	-	107,110	-
	(47,895)	-	(83,675)	-
	-	(75)	-	(75)
	(5,000)	5,000	-	-
	64,243	9,089	47,895	4,164

Comprising:

- Government bonds
- Term deposits
- Bank bond
- Other

	64,243	5,000	47,895	-
	-	4,089	-	4,164
	-	-	-	-
	64,243	9,089	47,895	4,164

Notes to the financial statements
for the year ended 30 June 2011

Note 6 (c) – Restricted assets (cash and investments)

Notes	2011		2010		
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000	
Total cash, cash equivalents, investments					
Cash and cash equivalents	6a	51,799	-	49,202	-
Investments	6b	69,447	16,992	73,976	4,164
		121,246	16,992	123,178	4,164
External restrictions		83,737		81,693	4,164
Internal restrictions		22,671	16,992	36,923	-
Unrestricted		14,838	-	4,562	-
		121,246	16,992	123,178	4,164

Notes	Opening Balance 1 July 2010 \$'000	Movements		Closing Balance 30 June 2011 \$'000	
		Transfers To restriction \$'000	Transfers From restriction \$'000		
External restrictions					
<i>Included in liabilities</i>					
Unexpended loans (A)	14,446	775	-	15,221	
RTA advances (B)	-	39	-	39	
Self-insurance claims (C)	9,896	348	-	10,244	
Other	-	-	-	-	
	24,342	1,162		25,504	
<i>Other</i>					
Developer contributions - General fund (D)	17	11,013	-	11,008	5
Developer contributions - Water (D)	17	8,040	868	-	8,908
Developer contributions - Drainage (D)	17	13,139	15	-	13,154
Developer contributions - Sewer (D)	17	15,198	1,161	-	16,359
Unexpended grants (E)		4,931	519	-	5,450
Domestic waste management (F)		5,394	3,423	-	8,817
Special rates		7	-	7	-
Special levy - stormwater		1,188	367	-	1,555
Other		2,605	1,380	-	3,985
		61,515	7,733	11,015	58,233
Total external restrictions		85,857	8,895	11,015	83,737

Internal restrictions					
Employee leave entitlements		5,110	2,186	-	7,296
Tip replacement/rehabilitation		5,220	4,202	-	9,422
Land development		6,997	-	4,340	2,657
Developer contributions - paid in advance		-	-	-	-
Information systems		159	1	-	160
Expenditure carried forward		1,213	914	-	2,127
Sewer refurbishment		1,710	-	1,710	-
Trading capital (General, Water & Sewer)		11,300	2,947	-	14,247
Contributions to works		1,425	-	1,425	-
Town Centre refurbishment		37	127	-	164
Public liability insurance		264	-	68	196
Plant pool capital		2,379	-	97	2,282
EPA rebate		500	-	-	500
Section 355/advances/deposits		609	3	-	612
Total internal restrictions		36,923	10,380	7,640	39,663

Restrictions above includes \$66,060 relating to the Water Supply Authority which are restricted in use for purpose of calculating Note 13 Unrestricted Current Ratio

A Loan moneys which must be applied for the purposes for which the loans were raised

B Advances by the Roads and Traffic Authority for works on the State's classified roads

C Self insurance liability resulting from reported claims or incurred claims not yet reported

D Developer contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans

E Grants which are not yet expended for the purposes for which the grants were obtained (see Note 1)

F Domestic waste management funds are externally restricted assets which must be applied for the purposes for which they were raised.

Notes to the financial statements
for the year ended 30 June 2011

Note 7 – Receivables

Purpose	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non-current \$'000
Rates	3,764	43	3,523	40
Interest and extra charges	1,042	-	933	-
Waste management annual charges	1,477	17	1,271	15
Water annual charges	508	13	433	11
Drainage annual charge	367	-	293	-
Sewerage annual charges	1,889	41	1,750	39
Government grants and subsidies	9,500	-	811	-
Accrued revenues	6,233	-	16,871	-
Accrued interest on investment	997	-	934	-
User charges and fees	7,094	-	4,909	-
Goods and services tax	1,925	-	2,940	-
Other	1,307	1,308	3,031	1,225
	36,103	1,422	37,699	1,330
Less : Provision for impairment				
- Rates and annual charges	-	-	-	-
- Other	124	-	107	-
Total receivables	35,979	1,422	37,592	1,330
Externally restricted receivables				
Water supply	19,039	553	20,209	585
Sewerage services	2,843	41	2,839	39
Waste management	1,477	17	1,271	15
Other	-	-	-	-
Total externally restricted receivables	23,359	611	24,319	639
Unrestricted receivables	12,620	811	13,273	691
Total receivables	35,979	1,422	37,592	1,330

Notes to the financial statements
for the year ended 30 June 2011

Note 8 – Inventories and other assets

	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non-current \$'000
Inventories				
- Real estate assets - refer below *	469	-	469	-
- Stores and materials	1,227	-	1,327	-
- Trading stock	392	-	373	-
- Other	-	-	-	-
Total inventories	2,088	-	2,169	-
Other				
Prepayments	366	-	414	-
Other	-	-	-	-
Total other assets	366	-	414	-
*Real estate development				
Residential				
Industrial/Commercial	461	-	461	-
Other	8	-	8	-
Total real estate for resale	469	-	469	-
<i>Represented by:</i>				
Acquisition costs	469	-	469	-
Total real estate for resale	469	-	469	-

Notes to the financial statements
for the year ended 30 June 2011

Note 8 – Inventories and other assets (continued)

Externally restricted assets

	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non-current \$'000
Water				
- Stores and materials				
- Trading stock	392	-	373	-
- Prepayments	-	-	-	-
- Other	-	-	-	-
Total water	392	-	373	-
Sewerage				
- Stores and materials	-	-	-	-
- Trading stock	-	-	-	-
- Prepayments	-	-	-	-
- Other	-	-	-	-
Total sewerage	-	-	-	-
DWM				
- Stores and materials	-	-	-	-
- Trading stock	-	-	-	-
- Prepayments	-	-	-	-
Total DWM	-	-	-	-
Total externally restricted assets	392	-	373	-

Notes to the financial statements
for the year ended 30 June 2011

Note 9(a) – Infrastructure, property, plant and equipment

Asset type	At 30 June 2010 \$'000				Movements during year \$'000							At 30 June 2011 \$'000			
	At cost	Fair value	Accumulated depreciation	Book value	Asset Purchases				Asset disposals	Depreciation and impairment	Revaluation increments/decrements	At cost	Fair value	Accumulated depreciation	Book value
					Renewals	New assets	Transfers	Adjustments							
Capital WIP	87,715			87,715	25,906	64,891	-61,382					117,130			117,130
Plant and equipment		41,094	23,930	17,164			2,988		870	3,869			40,964	25,551	15,413
Office equipment		7,118	5,706	1,412					-	317			7,117	6,023	1,094
Furniture and fittings		3,238	2,688	550			311		11	121			3,525	2,800	725
Property plant and equipment leased				-											-
Land				-											-
-Operational land		169,139		169,139		1,999	26,319		350				197,106		197,106
-Community land	96,247			96,247		(186)	-25,813				53,417		123,664		123,664
-Non depreciable land improvements				-											-
-Land under roads	269			269		63							333		333
Depreciable land improvements	61,968		16,867	45,101		29	3,830			2,428			65,140	18,609	46,531
Buildings		181,064	98,920	82,144			1,668			3,919			182,732	102,839	79,893
Other structures	34,147		14,256	19,891			2,551			1,263			36,699	15,519	21,180
Infrastructure				-											-
-Roads, bridges and footpaths	-	564,854	238,199	326,655		1,009	7,575			11,496	(27)		573,411	249,694	323,717
-Non-depreciable bulk earthworks				-			2,048						2,048		2,048
-Stormwater drainage	-	278,922	63,940	214,982		674	4,418			2,303			284,015	66,243	217,772
-Water supply network		666,297	202,309	463,988		180	26,439		1,653	11,584	14,793		712,823	220,660	492,163
-Sewerage network		561,188	170,865	390,323		405	3,982			13,941	12,223		583,673	190,681	392,992
Other assets				-											-
-Heritage collections	177		83	94						3			177	86	91
-Library books	7,890		5,705	2,185			319			424			8,210	6,129	2,081
-Other	20		193	(173)			-18			(148)			20	63	(43)
Tip asset	-		-	-			4,765			1,323			4,765	1,323	3,442
Totals	288,433	2,472,914	843,661	1,917,686	25,906	69,064	-		2,884	52,843	80,406	117,130	2,826,422	906,220	2,037,332

Notes to the financial statements
for the year ended 30 June 2011

Note 9(b) – Restricted Infrastructure, property, plant and equipment

Asset type	2011 \$'000				2010 \$'000			
	At cost	Fair value	Accumulated depreciation	Book value	At cost	Fair value	Accumulated depreciation	Book value
Water supply								
Capital WIP	65,046			65,046	46,833			46,833
Plant - equipment		629	596	33	629		552	77
Office equipment		325	286	39	325		271	54
Furniture and fittings		155	110	45	145		97	48
Land								
- Operational land		13,485		13,485		11,793		11,793
- Community land		1,314		1,314		80		80
Buildings				-				-
Other structures		11	2	9	11		1	10
Infrastructure								
- water supply		712,823	220,660	492,163		666,297	202,309	463,988
- stormwater drainage		284,015	66,243	217,772	278,922		63,940	214,982
Total water supply	65,046	1,012,757	287,897	789,906	326,865	678,170	267,170	737,865
Sewerage services								
Capital WIP	7,455			7,455	5,772			5,772
Plant - equipment		586	579	7	586		564	22
Office equipment		451	434	17	451		425	26
Furniture and fittings		55	49	6	55		47	8
Land								
- Operational land		9016		9,016		9,087		9,087
- Community land				-				-
Buildings				-				-
Other structures				-				-
Infrastructure								
- sewerage assets		583,673	190,681	392,992		561,188	170,865	390,323
Total sewerage services	7,455	593,781	191,743	409,493	6,864	570,275	171,901	405,238
Domestic waste management								
Capital WIP				-	3			3
Plant - equipment				-				-
Office equipment		116	112	4	128		114	14
Buildings				-				-
Land improvements		3,399	3,399	-	3,956	1,875	593	5,238
Tip Asset		4,765	1,323	3,442				-
Total DWM		8,280	4,834	3,446	4,087	1,875	707	5,255
Total restrictions	72,501	1,614,818	484,474	1,202,845	337,816	1,250,320	439,778	1,148,358

Notes to the financial statements
for the year ended 30 June 2011

Note 10(a) – Payables, borrowings and provisions

	Actual 2011		Actual 2010	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Payables				
Goods and services	5,497	-	4,587	-
Payments received in advance	14,488	-	17,787	-
Accrued expenses	20,467	-	24,315	-
Accrued interest	1,210	-	1,248	-
Accrued salaries and wages	1,406	-	1,256	-
Advances	-	-	-	-
Developer bonds	1,367	52	864	40
Other bonds	571	-	827	-
Other	1,983	-	1,731	-
Total payables	46,989	52	52,615	40
Current payables not expected to be settled within the next 12 months	14,076		12,013	
Borrowings				
Bank overdraft	-	-	-	-
Secured loans (note 15)	10,818	179,444	10,708	163,812
Government advances	-	-	-	-
Ratepayers' advances	-	-	-	-
Finance lease liability	-	-	-	-
Deferred payment liabilities	-	-	-	-
Other	-	-	-	-
Total interest bearing liabilities	10,818	179,444	10,708	163,812
Provisions				
Annual leave*	6,775	-	7,151	-
Sick leave*	6,368	-	7,248	-
Long service leave*	10,465	428	10,224	534
Redundancies	-	-	-	-
Self insurance claims	1,240	5,624	1,174	5,737
Payroll tax	254	3	16	70
Insurance	213	-	259	-
Tip remediation (note 23)	3,427	44,473	6,414	28,877
Total provisions	28,742	50,528	32,486	35,218
Current provisions not expected to be settled within the next 12 months	15,262		17,242	
<i>* Vested employee leave entitlements are carried as a current provision</i>				
Liabilities relating to restricted assets				
Provision for self insurance	1,240	5,624	1,174	5,737
Water	28,201	160,295	26,712	143,294
Sewerage	6,703	17,540	6,276	18,653
Domestic waste management	1,429	-	1,371	-
	37,573	183,459	35,533	167,684

Notes to the financial statements

for the year ended 30 June 2011

Note 10(b) – Description of and movements in provisions

	Annual Leave	Sick Leave	Long Service Leave	Self Insurance Losses	Reinstatements	Other
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Opening balance	7,151	7,248	10,758	6,911	35,291	345
Unwinding of Discount	-	-	-	-	1,649	-
Payments	4,995	3,098	2,219	1,817	-	-
Remeasurement adjustments	(5,371)	(3,978)	(2,084)	(1,864)	10,960	125
Closing balance	6,775	6,368	10,893	6,864	47,900	470

Notes to the financial statements
for the year ended 30 June 2011

Note 11 – Reconciliation of operating result to net cash movement from operating activities

	Notes	Actual 2011 \$'000	Actual 2010 \$'000
(a) Reconciliation of cash			
Cash and cash equivalents	6a	51,799	49,202
Less bank overdraft	10	-	-
Balances as per statement of cash flows		51,799	49,202
(b) Reconciliation of change in net assets to cash inflow/outflow from operating activities			
Net operating result		26,041	(565)
<i>Add:</i> Depreciation and amortisation		53,594	59,902
Non cash asset adjustment expense		-	-
Unwinding of present value discount - tip provisions		1,649	1,258
Increase in provision for doubtful debts		17	-
Increase in employees' leave entitlements		-	2,743
Increase in other provisions		11,038	7,883
Decrease in receivables		1,504	-
Decrease in inventories		81	-
Decrease in other assets		799	1,449
Increase in payables		910	-
Increase in accrued interest payable		75	98
Increase in accrued salaries and wages		150	-
Increase in other liabilities		-	13,943
Loss on sale of assets		1,493	-
		97,351	86,711
<i>Less:</i> Decrease in provision for doubtful debts		-	9
Decrease in employee leave entitlements		1,121	-
Decrease in other provisions		-	-
Non-cash donations		6,564	4,306
Non-cash asset adjustment revenue		-	3,169
Increase in receivables		-	6,459
Increase in inventories		-	100
Increase in other assets		-	-
Decrease in payables		-	3,275
Decrease in accrued interest payable		38	-
Decrease in accrued salaries and wages		-	541
Decrease in other liabilities		6,636	-
Revaluation of financial assets at fair value		2,283	2,033
Gain on sale of assets		-	131
Net cash provided by (used in) operating activities		80,709	66,688

Notes to the financial statements
for the year ended 30 June 2011

Note 11 – Reconciliation of operating result to net cash movement from operating activities (continued)

(c) Non-cash financing and investing activities

- Acquisition of plant and equipment by means of finance leases
- Developer contributions received in kind
- Bushfire grants
- Dedications

2011
\$'000

2010
\$'000

-	-
2,554	4,348
-	-
4,010	(42)
<u>6,564</u>	<u>4,306</u>

(d) Financing arrangements

Unrestricted access was available at balance date to the following :

Bank overdrafts

<u>500</u>	<u>500</u>
-------------------	-------------------

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

Notes to the financial statements
for the year ended 30 June 2011

Note 12 – Commitments for expenditure

(a) Capital commitments (exclusive of GST)

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

Buildings	-	-
Plant and Equipment	-	-
Infrastructure	20,653	79,245
Total commitments	20,653	79,245

These expenditures are payable:

- Not later than one year	18,647	79,245
- Later than one year but not later than five years	2,006	-
- Later than five years	-	-
Total payable	20,653	79,245

(b) Service commitments

Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:

Audit	-	90
Computer hardware/software	7,785	5,400
Town planning	155	181
Cleaning services	1,810	-
Swimming pool management	460	813
Security services	38	290
Waste collection	63,882	64,600
Recycling	7,644	7,200
Project management	6,827	5,510
Creek dredging	-	-
Tourist parks	1,194	940
Infrastructure maintenance	-	-
Other	-	-
Enviromental works	4,283	1,439
Total commitments	94,078	86,463

These expenditures are payable:

- Not later than one year	19,822	19,810
- Later than one year but not later than five years	66,041	42,350
- Later than five years	8,215	24,303
Total payable	94,078	86,463

Notes to the financial statements
for the year ended 30 June 2011

Note 12 – Commitments for expenditure (continued)

	2011 \$'000	2010 \$'000
(c) Finance lease commitments	<u>-</u>	<u>-</u>
(d) Operating lease commitments		
Commitments under non-cancellable operating leases at the reporting date but not recognised as liabilities are payable as follows:		
- Not later than one year	689	447
- Later than one year but not later than five years	282	894
- Later than five years	-	-
Total commitments	<u>971</u>	<u>1,341</u>
(e) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
- Not later than one year	6,195	5,446
- Later than one year but not later than five years	13,297	11,953
- Later than five years	-	-
Total commitments	<u>19,492</u>	<u>17,399</u>

Notes to the financial statements
for the year ended 30 June 2011

Note 13(a) – Statement of performance measures – Consolidated results

	Amounts	Current year indicators	2010	2009
Unrestricted current ratio				
Current assets less all external restrictions	\$ 41,089	1.83	1.45	1.62
Current liabilities less specific purpose liabilities	\$ 22,456			
Debt service ratio				
Net debt service cost	\$ 21,157	10.88%	10.32%	8.80%
Operating revenue	\$ 194,438			
Rate coverage ratio				
Rates and annual charges	\$ 119,020	47.37%	48.84%	49.11%
Total revenues	\$ 251,232			
Rates outstanding percentage				
Rates and annual charges outstanding	\$ 9,161	7.12%	6.78%	7.26%
Rates and annual charges collectible	\$ 128,628			
Building and infrastructure renewals ratio				
Asset renewals (building and infrastructure) (note 9(a))	\$ 22,385	0.52	0.61	0.82
Depreciation, amortisation, impairment (buildings and infrastructure)	\$ 43,243			

Detail methods for calculating these indicators are given in the *Local Government Code of Accounting Practice and Financial Reporting* (update no. 19).

Notes to the financial statements
for the year ended 30 June 2011

Note 13(b) – Statement of performance measures by fund

	Current year indicators		
	General	Water	Sewer
Unrestricted current ratio			
Current assets less all external restrictions			
<u>Current liabilities less specific purpose liabilities</u>	<u>1.83</u>	<u>0.77</u>	<u>2.51</u>
Debt service ratio			
Net debt service cost	0.68%	42.37%	9.73%
<u>Operating revenue</u>	<u>0.68%</u>	<u>42.37%</u>	<u>9.73%</u>
Rate coverage ratio			
Rates and annual charges	44.38%	19.10%	82.65%
<u>Total revenues</u>	<u>44.38%</u>	<u>19.10%</u>	<u>82.65%</u>
Rates outstanding percentage			
Rates and annual charges outstanding	6.79%	7.39%	7.39%
<u>Rates and annual charges collectible</u>	<u>6.79%</u>	<u>7.39%</u>	<u>7.39%</u>
Building and infrastructure renewals ratio			
Asset renewals (building and infrastructure) (note 9(a))	0.69	0.27	0.14
<u>Depreciation, amortisation, impairment (buildings and infrastructure)</u>	<u>0.69</u>	<u>0.27</u>	<u>0.14</u>

Notes to the financial statements
for the year ended 30 June 2011

Note 14 – Investment properties

Council had no investment properties during the period ended 30 June 2011.

Notes to the financial statements
for the year ended 30 June 2011

Note 15 – Financial risk management

Council borrows money to fund infrastructure developments and other community projects, and also invests its surplus funds in Australian dollar securities. These activities expose Wyong Shire Council (WSC) to a number of risks including credit risk, interest rate risk, and liquidity risk.

- *Credit (or default) risk* is the risk that the counterparty to a loan or investment agreement will not complete its financial obligations,
- *Interest rate risk* is the risk that investment assets will fall in market value due to rises in interest rates,
- *Liquidity risk* is the risk of an investment asset being unsaleable when funds are needed,
- *Settlement risk* is the risk that a planned financial transaction fails due to lack of consideration.

WSC's financial risk management is carried out by the Finance section in accordance with policies endorsed by Council. Council's investment policy is reviewed regularly. All investments and borrowings are denominated in Australian currency.

WSC held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial assets				
Cash and cash equivalents	51,799	49,202	51,799	49,202
Receivables	37,401	38,922	37,401	38,922
Financial assets at fair value through profit or loss	13,107	26,081	13,107	26,081
Available-for-sale financial assets				
Held-to-maturity investments	73,332	52,059	73,332	52,059
Total	175,639	166,264	175,639	166,264
Total financial assets				
Financial liabilities				
Payables	47,041	52,655	47,041	52,655
Borrowings	190,262	174,520	202,973	178,827
Total financial liabilities	237,303	227,175	250,014	231,482

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. 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 2011.

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

WSC's investment activities are subject to interest rate risk, credit 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,
- maintaining an investment policy compliant with the Ministerial Investment Order.

Sensitivity Analysis

The impact of a 10% movement in the price of investments as at 30 June 2011 would be a gain or loss in the income statement of \$1.31 million (\$2.61 million at 30 June 2010).

The estimated impact of a 1% movement in interest rates as at 30 June 2011 would be a gain or loss reflected in the income statement of \$1.25 million (\$1.01 million at 30 June 2010).

(b) Receivables

WSC's major receivable amounts are

- rates and annual charges ("rates debts")
- fees and user charges ("sundry debts")

Rates debts are less risky than sundry debts. WSC can recover debts on rates as a secured charge over land. WSC can also charge interest on rates debts at higher than market rates.

WSC has renegotiated the terms of one significant debt (of \$0.7 million), by deferring repayments due on two occasions. Outstanding sundry debts are monitored monthly and assessed for acceptable collection performance. Council makes a provision for the value of doubtful debts.

Rates and annual charges outstanding as a proportion of the amount collectible is disclosed at note 13, item 4. Rate debt balances are rolled over into the overdue category at the end of the financial year.

(c) Payables and borrowings

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. Borrowings are spread among a number of lenders.

Council's major borrowing risk is interest rate risk - adversely fluctuating interest rates can significantly impact on long term borrowing costs.

Payables and borrowings are both 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.

	Due within 1 year \$'000	Due Between 1 and 5 years \$'000	Due after 5 years \$'000	Total contractual cash flows \$'000	Carrying values \$'000
2011					
Payables	46,989	52		47,041	47,041
Borrowings	24,096	108,056	166,204	298,356	190,262
Total	71,085	108,108	166,204	345,397	237,303
2010					
Payables	52,615	40		52,655	52,655
Borrowings	22,593	80,240	163,167	266,000	174,520
Total	75,208	80,280	163,167	318,655	227,175

Council incurred no significant overdraft debt in the year ending 30 June 2011.

WSC does not generally enter into agreements with suppliers to pay interest on outstanding balances.

The weighted average borrowing rate (based on nominal interest rates and nominal amount advanced) was 7.01% as at 30 June 2011 (6.87 % at 30 June 2010).

Notes to the financial statements

for the year ended 30 June 2011

Note 16 – Material budget variations

Council's original budget was part of the Annual Plan adopted by Council on 23 June 2010.

Material variations (of more than 10%) between this budget and actual results (in the Income Statement) are explained below.

(a) Income Statement (*Operating income and expenditure*)

Other Revenue exceeded budget by \$1.1m (70.7%). This was primarily due to the original budget being understated by \$998K due to staff motor vehicle deductions incorrectly being categorised as contributions.

Grants and Contributions Operating exceeded budget by \$4.1m (21.2%). After considering the above categorisation error of \$998K, the adjusted variation is \$5.1m (27.7%). This was predominantly due to an increase in the Financial Assistance Grant payment of \$974K and the timing of payments in relation to the delivery of the Estuary Management Plan Works of \$2.7m against the budget assumptions.

Net gain from Disposal of Assets variation of \$15.1m (100%) was due to the deferral of the sale of a large holding of land.

Other Expenditure exceeded budget by \$9.0m (27.8%) as a result of additional expenses being recognised in the current financial year in relation to the provision for future tip site remediation works.

Borrowing Costs were below budget by \$2.0m (18.8%) due to revisions in Closed Landfill discounting adjustments contributing \$1.8m to this variance. There were also delays to planned loans originally budgeted for draw down in January 2011 however were actually taken out in June 2011 contributing to a favourable variance of \$1.02m.

(b) Note 2a - Functions

During the 2010/11 financial year, Council implemented a service delivery review, which has had a significant impact on the structure of our functions and makes comparison to the original budget difficult. Changes included the creation of a new directorate and the establishment of a new Reporting Hierarchy.

(c) Cash Flow Statement

Capital Expenditure was \$89.2m compared to an original budget of \$123.5m. The main cause of this variance relates to \$35.0m contributions received from Gosford City Council for joint water activities compared to a budget of \$9.2m. This is combined with savings in some of the larger Water projects such as \$4.7m savings in the delivery for the \$59m Mardi Suite of works.

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions

(a) Summary of developer contributions

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings during year (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/(under) funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Drainage	13,138	335	545	725	1,591	-	13,152	25,283	(39,276)	(841)	-
Roads	3,988	186	426	22	7,891	7	(3,262)	43,165	(45,921)	(6,018)	6
Traffic facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	77	-	-	(12)	(1,006)	-	1,071	(1,071)	-	-	766
Open space	1,733	586	910	(297)	5,243	9	(2,302)	49,241	(51,447)	(4,508)	5,310
Community	-	-	-	-	-	-	-	-	-	-	-
Facilities	5,174	518	352	602	2,285	(76)	4,285	43,628	(60,463)	(12,550)	(6,199)
Other	42	182	147	2	207	60	226	182	(226)	182	117
Total S94 under plans	24,152	1,807	2,380	1,042	16,211	-	13,170	160,428	(197,333)	(23,735)	-
Total S94 not under plans	-	-	-	-	-	-	-	-	-	-	-
Section 64 contributions	23,238	690	174	1,338	174	-	25,266				-
Total contributions	47,390	2,497	2,554	2,380	16,385	-	38,436				-

Note: Parking expenses for 2010/11 have been updated to show a repayment to s94 of monies previously spent on Margaret St property

Note: the above figures represent the total of Council's individual contribution plans.
The following pages list the individual plans, and all figures are in thousands of dollars.

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

(b) Developer contributions under plans

Section 94 contribution plan No 1 - Wyong

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/(under) funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	1,572	37		90			1,699	381	(2,080)		
Roads	758	(122)		40			676	4,638	(5,314)		
Traffic facilities											
Parking				(16)	(1,006)		990	(990)			766
Open space		134		170	31		273	727	(1,000)		(2,941)
Community Facilities	1,556	52		90	11		1,687		(87)	1,600	
Other	42			2			44		(44)		
Totals	3,928	101		376	(964)		5,369	4,756	(8,525)	1,600	(2,175)

Section 94 contribution plan No 2 - Southern Lakes

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/(under) funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	798	8		45	10		841		(841)		
Roads	717	4		41			762	(762)			
Traffic facilities											
Parking											
Open space		25		216			241	(241)			(3,792)
Community Facilities	782	23		45		(500)	350		(350)		(500)
Other											
Totals	2,297	59		347	10	(500)	2,194	(1,003)	(1,191)		(4,292)

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

Section 94 contribution plan No 3 - The Entrance

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/(under) funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	6				3		3	256	(259)		
Roads	2,098	68		106	527		1,745	10,245	(11,990)		
Traffic facilities											
Parking	71			4			75	(75)			
Open space		50		35			85	(85)			(598)
Community Facilities		84		(109)		25		5,421	(5,421)		1,982
Other											
Totals	2,175	202		36	530	25	1,908	15,762	(17,670)		1,384

Section 94 contribution plan No 5 - Ourimbah

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/(under) funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage											
Roads	186			11			197	(197)			
Traffic facilities											
Parking											
Open space	313			18			331	118	(449)		
Community Facilities	1,461	44		84	10		1,579	(491)	(1,088)		
Other											
Totals	1,960	44		113	10		2,107	(570)	(1,537)		

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

Section 94 contribution plan No 6 - Toukley

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	3						3		(3)		
Roads	13			1			14	121	(135)		
Traffic facilities											
Parking	6						6	(6)			
Open space	418	4		24	10		436	(436)			
Community Facilities	969	4		55		(293)	735	135	(870)		(293)
Other											
Totals	1,409	8		80	10	(293)	1,194	(186)	(1,008)		(293)

Section 94 contribution plan No 7 - Gorokan / Warnervale

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions *	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	10,734	290	545	589	1,578		10,580	24,646	(36,067)	(841)	
Roads	81	236	426	(200)	7,364		(6,821)	23,166	(22,363)	(6,018)	260
Traffic facilities											
Parking											
Open space	431	338	903	(769)	5,134		(4,231)	26,406	(26,683)	(4,508)	12,208
Community Facilities	15	269	349	341	1,696	289	(433)	19,838	(33,555)	(14,150)	(6,247)
Other		178	147	5	147		183	182	(182)	183	1
Totals	11,261	1,311	2,370	(34)	15,919	289	(722)	94,238	(118,850)	(25,334)	6,222

* based on current estimates

Notes to the financial statements for the
year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

Section 94 contribution plan No 8 - San Remo

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage	25			1			26		(26)		
Roads				(7)		7		510	(510)		138
Traffic facilities											
Parking											
Open space	439			25	11		453	(383)	(70)		
Community Facilities				(34)		34					634
Other											
Totals	464			(15)	11	41	479	127	(606)		772

Section 94 contribution plan No 9 - Budgewoi

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage											
Roads	75			4			79	131	(210)		
Traffic facilities											
Parking											
Open space	74	13		5			92	(44)	(48)		
Community Facilities	255	13		80	10		338	662	(1,000)		(1,146)
Other											
Totals	404	25		89	10		509	749	(1,258)		(1,146)

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

Section 94 contribution plan No 13 - Shire wide

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage											
Roads											
Traffic facilities											
Parking											
Open space		14	5	(24)	3	9	1	12,329	(12,330)		433
Community											
Facilities	136	23	3	(6)	523	369	2	7,090	(7,092)		369
Other		4		(5)	60	60					116
Totals	136	41	8	(35)	586	438	3	19,419	(19,422)		918

Section 94 contribution plan No 15 - Northern Districts

Purpose	Opening Balance	Contributions received during year		Interest earned during year	Expended during year	Internal borrowings (to)/from	Held as restricted asset	Projected future contributions	Projected cost of works	Projected over/under funding	Cumulative internal borrowings (to)/from
		Cash	Non-cash								
Drainage											
Roads	60			26			86	5,313	(5,399)		(392)
Traffic Facilities											
Parking											
Open Space	58	8	2	3	54		17	10,850	(10,867)		
Community											
Facilities		6		56	35		27	10,973	(11,000)		(998)
Other											
Totals	118	14	2	85	89		130	27,136	(27,266)		(1,390)

Notes to the financial statements
for the year ended 30 June 2011

Note 17 – Statement of developer contributions (continued)

Summary of contribution plans under S64 Local Government Act 1993

PLAN NUMBER	PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED IN YEAR		INTEREST EARNED IN YEAR	EXPENDED DURING YEAR	INTERNAL BORROWING (to)/from	HELD AS RESTRICTED ASSET
			CASH	NON-CASH				
			\$ '000	\$ '000				
1	Water	1,717	57		98			1,872
	Sewerage	3,048	71		175			3,294
2	Water	843	56		50			949
	Sewerage	1,961	34		111			2,106
3	Water	471	37		26			534
	Sewerage	1,970	21		113			2,104
5	Water	364	68		23			455
	Sewerage	536	3		31			570
6	Water	304	16		18			338
	Sewerage	414	15		24			453
7	Water	2,483	132	102	145	102		2,760
	Sewerage	4,075	95	72	234	72		4,404
8	Water	796	15		46			857
	Sewerage	1,645	10		94			1,749
9	Water	409	11		23			443
	Sewerage	208	35		13			256
10	Water	244	6		14			264
	Sewerage	519	2		29			550
11	Water	50			3			53
	Sewerage	46			3			49
12	Water	361	4		21			386
	Sewerage	774	2		44			820
	All Water	8,042	402	102	467	102		8,911
	All Sewerage	15,196	288	72	871	72		16,355
	All S64	23,238	690	174	1,338	174		25,266

Notes to the financial statements for the year ended 30 June 2011

Note 18 – Contingencies

Contingent Liabilities

Bateau Bay closed landfill

Proceedings are still in progress before the Supreme Court with Council's former construction contractor at the former landfill site at Bateau Bay. An interim judgement was delivered by the court in December 2010 and have since been settled, however the balance of pending claims and cross-claims have been referred to a Court appointed Assessor and are awaiting finalisation. The impact of these proceedings cannot be reliably estimated at this time.

Water Supply Authority

In accordance with the *Central Coast Water Corporation Act 2006*, a new body for water management is to be created for the Central Coast region with the consent of both Wyong and Gosford councils. This new legislation allows for transfers of water and sewerage personnel, assets, and liabilities from the existing structure within Wyong Council, to the new. There is the possibility that following this transfer of functions that some water and sewerage related financial or legal liabilities may remain with Wyong Council. Estimates of the possible impact of the change indicate that the Council could face an \$8.0m to \$9.0m annual shortfall. At the time of preparing the financial statements the likelihood of this impact being realised cannot be determined.

Local Government Superannuation Scheme

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. The Scheme has a deficit of assets over liabilities and its administrators may, in the future, require Wyong Shire Council to make significantly higher contributions to help alleviate this deficit. The Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils and the amount of such a payment is not able to be reliably quantified.

Office of Environment and Heritage (OEH)

The Office of Environment and Heritage (formerly Department of Environment, Climate Change and Water) had commenced legal proceedings in relation to activities undertaken by Council at Toukley sewerage treatment works and Mardi closed landfill sites. The liability for fines and OEH costs (excluding legal fees) cannot be reliably estimated.

Closed Landfill Sites

Council is required by law to remediate its closed landfill sites. The projected costs of this remediation are provided for within the financial statements at Note 23. However once the remediation works have been carried out there is a period of validation to ensure that the remediation has been successful. This monitoring and maintenance will vary between each site and cannot be reliably estimated at this time however may approximate to \$4m until 2030.

Contingent Assets

Gwandalan closed landfill

Legal proceedings are currently in progress before the District Court of NSW concerning a contractual dispute with an asbestos removal contractor engaged to undertake waste removal at the Gwandalan closed landfill site. The contractor previously made a successful claim in accordance with the *Building and Construction Industry Security of Payment Act 1999*, however legal advice provided to Council deemed the decision to be unjust and therefore commenced legal proceedings. There is a high likelihood that Council will recover a significant portion of the claim which was originally \$602,000.

Notes to the financial statements
for the year ended 30 June 2011

Note 19 – Interests in joint ventures and associates

The Wyong Shire Council Water Supply Authority is a joint venturer in the provision of water supply headworks servicing both Wyong and Gosford Council areas. Under an agreement between the two water supply authorities, the councils jointly own, maintain, and operate headworks infrastructure which typically includes weirs, dams, treatment plants and bulk water distribution reservoirs.

The Wyong Shire Council Water Supply Authority had a 49.09% interest in the output of the joint venture for the period ending 30 June 2011.

Contingent liabilities of the joint venture at 30 June 2011 were nil (30 June 2010 nil).

The Council's share of assets of the joint venture (as included in the Balance Sheet), and its share of day to day expenses, were as follows:

	Actual 2011 \$'000	Actual 2010 \$'000
Current assets		
Receivables	-	-
Investments	-	-
Inventories	-	-
Non-current assets		
Receivables	-	-
Investments	-	-
Property, plant and equipment	228,071	224,375
Share of assets employed in Joint Venture:	<u>228,071</u>	<u>224,375</u>
Maintenance and operations expenditure		
Incurred by Wyong Shire Council	5,403	5,083
Wyong Shire Council's share of costs under the agreement	6,019	6,286
Equalisation payment to Gosford City Council	<u>616</u>	<u>1,203</u>
Interest expense:		
Incurred by Wyong Shire Council	<u>3,557</u>	<u>4,087</u>

Notes to the financial statements
for the year ended 30 June 2011

Note 20 – Revaluation reserves and retained earnings

	2011 \$'000	2010 \$'000
(a) Revaluation Reserve		
- Infrastructure, property, plant and equipment		
Balance at beginning of reporting period	562,360	443,616
<i>Add: Revaluation increments transferred to reserve relating to:</i>		
Water infrastructure assets	14,793	11,778
Sewerage infrastructure assets	12,223	6,220
Buildings	-	-
Roads Bridges Footpaths	(27)	27,727
Drainage	-	73,019
Operational land	-	-
Community land	53,416	-
	80,406	118,744
<i>Less: Revaluation decrements</i>	-	-
Balance at end of reporting period	642,766	562,360
<i>Note: the above reserve is used to record increments and decrements on the revaluation of infrastructure, property, plant and equipment</i>		
(b) Retained earnings		
Balance at beginning of reporting period	1,232,560	1,207,412
Corrections to errors included in comprehensive income		
Council had not previously reassessed the useful life of its roads on a regular basis and, as a result, was found to have significantly overstated the depreciation of these assets. A revaluation exercise in the 2010 year identified these errors and an adjustment has been made against the current year balances of IPPE and Retained Earnings to correct the errors as it was found to be impractical to restate the prior year comparatives.	-	25,713
Sub total - corrections to errors	-	25,713
Net operating result for the year	26,041	(565)
Balance at end of reporting period	1,258,601	1,232,560

Notes to the financial statements
for the year ended 30 June 2011

Note 21a – Income statement by fund

	Actual 2011 \$'000 General	Actual 2011 \$'000 Water	Actual 2011 \$'000 Sewer
Income from continuing operations:			
Revenue:			
Rates and annual charges	80,214	13,605	25,803
User charges and fees	32,052	20,374	1,286
Interest and investment revenue	4,228	2,190	2,488
Other	2,175	331	174
Grants and contributions operating	21,923	961	663
Grants and contributions capital	12,074	30,525	806
Other income:			
Net gain from the disposal of assets	492	3	-
Total income from continuing operations	153,158	67,989	31,220
Expenses from continuing operations:			
Employee benefits and on-costs	60,852	6,979	7,045
Borrowing costs	1,745	9,161	1,354
Materials and contracts	40,370	6,402	3,857
Depreciation	25,480	14,072	14,043
Other	35,587	1,869	2,322
Net loss from the disposal of assets	347	1,641	-
Corporate overheads, Other internal costs/recoveries	(21,339)	6,910	7,630
Total expenses from continuing operations	143,042	47,034	36,251
Net operating result for the year	10,116	20,955	(5,031)
Attributable to:			
Wyong Shire Council	10,116	20,955	(5,031)
Net operating result for the year before grants and contributions provided for capital purposes	(1,958)	(9,570)	(5,837)

Notes to the financial statements
for the year ended 30 June 2011

Note 21b – Balance sheet by fund

	2011 \$'000	2011 \$'000	2011 \$'000
	General	Water	Sewer
Assets			
Current assets			
Cash and cash equivalents	51,799		
Investment securities	3,386	39,152	26,909
Receivables	14,097	19,039	2,843
Inventories	1,696	392	-
Other	366	-	-
Total current assets	71,344	58,583	29,752
Non-current assets			
Investment securities	16,992	-	-
Receivables	828	553	41
Inventories	-	-	-
Infrastructure, property, plant and equipment	837,935	789,906	409,491
Intangible assets	1,825	433	257
Total non-current assets	857,580	790,892	409,789
Total assets	928,924	849,475	439,541
Liabilities			
Current liabilities			
Payables	26,709	17,406	2,874
Borrowings	854	8,725	1,239
Provisions	24,082	2,070	2,590
Total current liabilities	51,645	28,201	6,703
Non-current liabilities			
Payables	52	-	-
Borrowings	2,496	159,854	17,094
Provisions	49,641	441	446
Total non-current liabilities	52,189	160,295	17,540
Total liabilities	103,834	188,496	24,243
Net assets	825,090	660,979	415,298
Equity			
Retained earnings	631,465	372,649	254,487
Asset revaluation reserves	193,625	288,330	160,811
Total equity	825,090	660,979	415,298

Notes to the financial statements
for the year ended 30 June 2011

Note 22 – Intangible assets

Wyong Shire Council is contracted to acquire, 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.

	\$'000
At 30 June 2010	
Cost	9,011
Accumulated amortisation and impairment	(5,745)
Net book amount	3,266
Year ended 30 June 2010	
Opening net book amount	4,318
Additions - acquisition	-
Amortisation charge	(1,052)
Closing net book amount	3,266
Year ended 30 June 2011	
Opening net book amount	3,266
Additions - acquisition	-
Amortisation charge	(751)
Closing net book amount	2,515
At 30 June 2011	
Cost	9,011
Accumulated amortisation and impairment	(6,496)
Net book amount	2,515

Notes to the financial statements
for the year ended 30 June 2011

Note 23 – Reinstatement, rehabilitation and restoration liabilities

Council is required by law to remediate Council's tip sites at Buttonderry, Bateau Bay, Mardi, Gwandalan, Tumbi Umbi, Shelly Beach, Warnervale, Toukley and Halekulani at the end of their useful lives. The projected cost of this rehabilitation is \$47.9 million based on engineering estimates and has been discounted to its present value at the risk free cost of borrowing to Council.

	2011	2010
	\$'000	\$'000
At beginning of year	35,291	26,614
Remeasurement adjustment	10,960	7,419
Amortisation of discount - expensed to borrowing costs	1,649	1,258
At end of year	47,900	35,291

---End of audited general purpose financial statements---



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

Scope

We have audited the financial report of **Wyong Shire Council** for the financial year ended 30 June 2011 as set out on pages 1 to 60. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements, nor to the projections in Note 17, or to the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

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

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

Audit opinion

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 Chapter 13, Part 3, Division 2.
- (b) The Council's financial report:
 - (i) has been properly prepared in accordance with the requirements of this Division
 - (ii) is consistent with the Council's accounting records
 - (iii) present fairly the Council's financial position and the results of its operations, and
 - (iv) is in accordance with applicable Accounting Standards.
- (c) All information relevant to the conduct of the audit has been obtained.
- (d) There are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

PricewaterhouseCoopers

P L Buchholz

Partner

17 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



The Mayor
Councillor Bob Graham
Wyong Shire Council
DX 7306
WYONG

Dear Councillor Graham

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

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

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

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

Operating Result

Council's operating result improved from a \$565K deficit to a \$26 million surplus during the period under review. The operating deficit before capital also improved from \$30 million to \$17 million. Increases in capital grants and contributions (up \$14 million) and lower depreciation (down \$6 million) contributed to this improvement.

Cash Position

Council's overall cash position increased from \$127 million to \$138 million during the period under review. The following table highlights the composition of cash.

	June 2011	June 2010
	\$m	\$m
Externally restricted	84	86
Internally restricted	40	37
Unrestricted	14	4
Total	138	127

The increase in internal restrictions and unrestricted cash pushed liquidity levels higher.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Working Capital

Council's net current assets increased from \$68 million to \$73 million during the period under review. The value of net current assets needs to be adjusted in order to establish Council's available working capital.

	June 2011 \$m	June 2010 \$m
Net current assets	73	68
Less:		
External restrictions	(107)	(106)
Internal restrictions	(23)	(37)
	<u>(57)</u>	<u>(75)</u>
Add:		
Current Liabilities to be funded from other sources	67	64
Available Working Capital	<u>10</u>	<u>(19)</u>

The effective unrestricted or available working capital upon which Council could build its 2011/12 budget was \$10 million.

Performance Indicators

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

	June 2011 %	June 2010 %
Unrestricted Current Ratio	183	145
Debt Service Ratio	10.9	10.3
Rate Coverage Ratio	47	49
Rates Outstanding Ratio	7.1	6.8
Asset Renewals Ratio	52	61

The Unrestricted Current Ratio improved and remained above the accepted industry benchmark of 100%.

The Debt Service Ratio increased against the previous year and is above the industry benchmark of 10%. Outstanding loans increased from \$174 million to \$190 million.

The Rate Coverage Ratio declined as capital grants and contributions increased substantially.

The Rates Outstanding Ratio increased and remains above the accepted industry benchmark of 5%. This ratio should be monitored.

The Assets Renewals Ratio indicates that Council is only renewing key infrastructure at 52% of the rate at which it is depreciating.

Council's financial position is considered to be sound and stable.

**Revaluations**

Council revalued its community land in accordance with the Division of Local Government's revaluation schedule. A revaluation increment of \$80 million was credited to the Asset Revaluation Reserve. This included the indexing of Water and Sewer infrastructure assets.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'P L Buchholz', written in a cursive style.

P L Buchholz
Partner
Sydney
17 October 2011