



Wyong Shire Council Water Supply Authority
Financial Statements for the year
 ended 30 June 2011

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

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Wyong Shire Council Water Supply Authority
Income Statement for the
year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Income from continuing operations			
Annual charges	2(a)	39,408	37,485
User charges and fees	2(b)	22,147	22,464
Interest	2(c)	4,678	3,318
Other	2(d)	18	3,232
Grants and contributions operating	2(e,f)	1,708	1,546
Grants and contributions capital	2(e,f)	31,330	19,140
Gain from the disposal of assets	4	-	-
Total income from continuing operations		<u>99,289</u>	<u>87,185</u>
Expenses from continuing operations			
Employee costs	3(a)	14,025	14,487
Borrowing costs	3(b)	10,514	7,922
Materials and contracts	3(c)	10,257	8,718
Depreciation	3(d)	28,116	28,223
Other	3(e)	18,815	19,912
Loss from the disposal of assets	4	1,638	-
Total expenses from continuing operations		<u>83,365</u>	<u>79,262</u>
Surplus (deficit) for the year		<u>15,924</u>	<u>7,923</u>
Attributable to Wyong Shire Council		<u>15,924</u>	<u>7,923</u>

This income statement should be read in conjunction with the accompanying notes.

Wyong Shire Council Water Supply Authority
Statement of comprehensive income
for the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
Surplus (deficit) for the year	15,924	7,923
Other comprehensive income		
Gain / (Loss) on revaluation of infrastructure, property, plant & equipment 15	27,224	91,017
Total other comprehensive income for the year	27,224	91,017
Total comprehensive income for the year	43,148	98,940
Attributable to Wyong Shire Council	43,148	98,940

This statement of comprehensive income should be read in conjunction with the following notes.

Wyong Shire Council Water Supply Authority Balance sheet

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	5	24,486	25,298
Investments	5	41,574	33,842
Receivables	6	21,881	23,021
Inventories	7	392	373
Total current assets		88,333	82,534
Non-current assets			
Investments	5	-	1,278
Receivables	6	595	624
Infrastructure, property, plant and equipment	8	1,199,400	1,143,103
Inventories	7	-	-
Intangible assets	16	689	895
Total non-current assets		1,200,684	1,145,900
Total assets		1,289,017	1,228,434
Current liabilities			
Payables	9	20,280	18,512
Borrowings	9	9,964	9,808
Provisions	9	4,661	4,670
Total current liabilities		34,905	32,990
Non-current liabilities			
Payables	9	-	-
Borrowings	9	176,948	160,913
Provisions	9	887	1,036
Total non-current liabilities		177,835	161,949
Total liabilities		212,740	194,939
Net assets		1,076,277	1,033,495
Equity			
Retained earnings	15	627,137	611,579
Asset revaluation reserve	15	449,140	421,916
Total equity		1,076,277	1,033,495

This balance sheet should be read in conjunction with the accompanying notes.

Wyong Shire Council Water Supply Authority

Statement of changes in equity for the year ended 30 June 2011

	2011					2010					
	Note	Retained Earnings \$'000s	Asset Revaluation Reserve \$'000s	Authority Equity Interests \$'000s	Council Equity Interests \$'000s	Total Equity \$'000s	Retained Earnings \$'000s	Asset Revaluation Reserve \$'000s	Authority Equity Interests \$'000s	Council Equity Interests \$'000s	Total Equity \$'000s
Opening balance	15	611,579	421,916	1,033,495		1,033,495	603,998	330,899	934,897		934,897
Correction of errors											
Changes in accounting policy											
Restated opening balance	15	611,579	421,916	1,033,495		1,033,495	603,998	330,899	934,897		934,897
Net operating result for the year		15,924		15,924		15,924	7,923		7,923		7,923
Other comprehensive income			27,224	27,224		27,224		91,017	91,017		91,017
Total comprehensive income	15	15,924	27,224	43,148		43,148	7,923	91,017	98,940		98,940
Taxation equivalent dividend payment	15	(366)			(366)	(366)	(342)		(342)		(342)
Closing balance		627,137	449,140	1,076,643	(366)	1,076,277	611,579	421,916	1,033,837	(342)	1,033,495

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

Wyong Shire Council Water Supply Authority
Statement of cash flows
for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts:			
Receipts from customers		56,711	59,850
Interest		3,312	2,570
Grants provided by Government		28,460	14,303
Contributions and donations		2,987	3,598
Other		7,874	6,829
Payments :			
Employee benefits and on-costs		(14,128)	(14,433)
Materials and contracts		(9,482)	(12,029)
Interest		(10,534)	(7,888)
Other		(18,829)	(28,315)
Net cash provided by (or used in) operating activities	10(b)	46,371	24,485
Cash flows from investing activities			
Receipts:			
Sale of investments		6,528	65,673
Sale of infrastructure, property, plant & equipment		15	-
Payments:			
Purchase of investments		(11,635)	(64,171)
Purchase of infrastructure, property, plant and equipment		(57,916)	(45,275)
Net cash provided by (or used in) investing activities		(63,008)	(43,773)
Cash flows from financing activities			
Receipts:			
Borrowings		26,000	70,000
Advances		-	-
Payments:			
Borrowings		(9,809)	(10,337)
Advances		-	(20,000)
Dividend payment		(366)	(342)
Net cash provided by (or used in) financing activities		15,825	39,321
Net increase / (decrease) in cash held		(812)	20,033
Cash at beginning of reporting period		25,298	5,265
Cash at end of reporting period	10(a)	24,486	25,298

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

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) The Water Supply Authority reporting entity

Wyong Shire Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the *Water Management Act 2000*. The principal business office of the Wyong Shire Council is at 2 Hely St Wyong NSW 2259. The Water Supply Authority (the "Authority") controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within the Wyong local government area, and these functions have been consolidated in these financial statements.

The financial statements have been authorised for use in accordance with the resolution of Council on (insert date)

The security for new loans for water and sewerage functions is a charge on the general revenues of the council, in accordance with section 229 of the *Local Government (General) Regulation (2005)*.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board, the *Local Government Act 1993*, the *Public Finance and Audit Act 1983*, and the *Public Finance and Audit Regulation 2010*.

All amounts shown in the financial statements are in Australian currency and have been rounded to the nearest thousand dollars.

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 Authority's accounting policies.

(c) Revenue recognition

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

Annual charges, grants and contributions

Annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Authority obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Authority may apply contributions according to the priorities established in work schedules.

Control over assets acquired from annual charges is obtained at the commencement of the reporting period 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 the Authority obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the

Authority and the amount of the contribution can be measured reliably.

User charges and fees

User charges and fees 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.

(d) Consolidation principles

The Consolidated Fund

Wyong Shire Council is legally required to maintain a Consolidated Fund under the *Local Government Act 1993* s 409(1). The fund is to receive all council cash and property income except for those assets specifically required to be held in a Trust Fund. The accounting for Water Supply Authority functions is maintained by keeping separate accounting funds, subordinate to the Consolidated fund, in the general ledger, for Water (including drainage) and for Sewerage.

These financial statements represent the consolidation of the Water and Sewerage funds.

The notional cash and investment assets of the Authority are represented in practice by an equity interest in the general cash and investment assets of the Wyong Shire Council as a whole, and all investment assets and bank accounts are held in the name of the Wyong Shire Council.

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 the Authority 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 the council's control, in respect of water and sewerage

functions have been included in these reports.

Trust monies and property held by the council 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 the council office by any person free of charge.

Joint Ventures - jointly controlled assets

The 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 12 below.

(e) Leases

Leases of property, plant and equipment, where the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. The Authority 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 the Authority is a lessor is recognised in income on a straight-line basis over the lease term.

(f) 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 the Council's incremental borrowing rate, or the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of non-financial 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.

The Water Supply Authority is a not-for-profit organisation. As a not-for-profit entity with no cash generating units, the authority is effectively exempt from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means, for an asset already measured at fair value, impairment can only arise if costs are material.

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

(h) 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.

(i) Receivables

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

(j) 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.

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

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.

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

As at the reporting dates 30 June 2010 and 30 June 2011 the Authority 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 the Authority functions or projects which will be, or have been transferred, to another entity. Generally, the Authority would receive some amount of compensation for the value of assets transferred.

(l) Investments and other financial assets

Classification

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

Loans and Receivables

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

Held-to-Maturity Investments

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

Available-for-Sale assets

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

Financial assets – reclassification

The Authority 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 2 following. Dividend income from fair value through profit and loss investments is recognised as investment income when the Authority'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

The Authority 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

The Authority has an approved investment policy which conforms to the requirements of the Local Government Act (NSW) 1993, regulations made under the Act, and the Ministerial Local Government Investment Order.

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

(m) 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 the Authority for similar financial instruments.

(n) Infrastructure, property, plant & equipment

Infrastructure, property, plant and equipment (IPPE) is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of infrastructure, property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Authority's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. The classes of IPPE stated at their fair value include:

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Water and Sewerage Networks (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Drainage assets – (External Valuation)

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, the Authority 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, the Authority determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle. 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 the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. 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
Drainage Assets	80 to 120 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

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 fair value if it is determined that the latter is a lesser amount. This would occur, for example, if the Authority reduced its estimate of the remaining useful life of an individual asset.

Where a previously valued asset is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to retained earnings.

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

Land is classified as either operational in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 8.

(o) Investment Property

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

(p) Payables

Payables in the balance sheet are amounts owing at balance date for goods or services provided to the Authority 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.

(q) 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.

(r) 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.

(s) Provisions

Provisions are a monetary estimate of those of the Authority'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.

(t) 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

The Authority 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

The Authority 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.

(u) 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 the Authority's operational cycle. In the case of liabilities where the Authority 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.

(v) Self insurance

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

(w) Intangible assets

IT development and software

The Authority has acquired, under a managed service arrangement, a licence to access information technology services. In conjunction with this contract, the Authority 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. The Authority's contribution to these costs has been capitalised as an intangible asset to be amortised over the period of the contract.

(x) 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.

(y) 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 Authority'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 Authority'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 Authority 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. The Authority does not make any such prepayments. The amendment is therefore not expected to have any impact on the Authority'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 the Authority.

(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, securitise, 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, which is 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 the Authority.

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

Note 2 – Revenues

	Actual 2011 \$'000	Actual 2010 \$'000
(a) Annual charges		
Water supply	8,192	7,044
Sewerage services	25,803	25,154
Drainage	5,413	5,287
Total annual charges	39,408	37,485
(b) User charges and fees		
User charges		
Water supply	20,289	20,671
Sewerage services	1,162	1,168
Total user charges	21,451	21,839
Fees		
Water connection fees	322	275
Sewer application fees	165	131
Certificate fees water	28	36
Fees other	181	183
Total fees	696	625
Total user charges and fees	22,147	22,464
(c) Interest		
Water interest	1,819	1,100
Water fair value adjustment	371	309
Sewer interest	1,512	1,433
Sewer fair value adjustment	976	476
Total interest revenue	4,678	3,318
(d) Other revenues		
Other revenue	18	3,232
Total other operating revenue	18	3,232

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

Note 2 – Revenues (continued)

	Operating Actual		Capital Actual	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(e) Grants				
Pensioners rate subsidies				
- Water	681	677	-	-
- Sewer	663	662	-	-
Water supplies	150	125	27,660	12,835
Sewerage services	-	-	39	1
Other	130	-	8	-
Total grants	1,624	1,464	27,707	12,836
(f) Contributions				
Developer contributions				
- Drainage	-	-	334	303
- Water	-	-	401	2,268
- Sewerage	-	-	290	945
Dedications			1,878	
Contributed assets				
- Drainage	-	-	351	1,132
- Water	-	-	297	1,287
- Sewerage	-	-	72	369
Other	84	82	-	-
Total contributions and donations	84	82	3,623	6,304
Total grants and contributions	1,708	1,546	31,330	19,140

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

Note 3 – Expenses

	Actual 2011 \$'000	Actual 2010 \$'000
(a) Employee costs		
Salaries and wages	15,566	12,308
Employee leave entitlements	1,942	2,263
Superannuation	1,128	1,252
Workers' compensation insurance	266	295
Payroll tax	1,115	1,152
Training costs (excluding salaries)	8	66
	<u>20,025</u>	<u>17,336</u>
Less: Capitalised and distributed costs	6,000	2,849
Total employee costs expensed	<u>14,025</u>	<u>14,487</u>
(b) Borrowing costs		
Interest on loans	10,288	7,878
Interest on other debts	226	44
Total borrowing costs expensed	<u>10,514</u>	<u>7,922</u>
(c) Materials and contracts		
Raw materials and consumables	5,830	5,895
Contract and consultancy costs	4,321	2,666
Auditor's remuneration	68	73
Legal expenses	-	55
Operating lease rentals	38	29
Total materials and contracts	<u>10,257</u>	<u>8,718</u>

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

Note 3 – Expenses (continued)

	Actual 2011 \$'000	Actual 2010 \$'000
(d) Depreciation, amortisation and impairment		
Plant and equipment	59	64
Office equipment	24	30
Furniture and fittings	14	13
Infrastructure:		
- Storm water drainage	2,303	2,784
- Water supply network	11,584	11,537
- Sewerage network	13,941	13,507
Other assets	(15)	-
Intangibles - software	206	288
Total depreciation and impairment	28,116	28,223
(e) Other expenses		
Bad and doubtful debts	-	-
Insurances	3	2
Contributions and donations	162	128
Electricity	2,875	2,306
Gas charges	495	523
Bank fees and charges	17	38
Water tank, washing machine rebate scheme	3	143
Plant hire	3,032	3,043
Telephone charges	73	62
Tipping fees	1,219	1,042
Administration support	10,743	11,465
Other expenses	193	1,160
Total other operating expenses	18,815	19,912

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

Note 4 – Gain or loss on disposal of assets

	Actual 2011 \$'000	Actual 2010 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	-	-
Less: Carrying amount of assets disposed	-	-
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
Gain (or loss) on disposal of Plant and equipment		
Proceeds from disposal	-	-
Less: Carrying amount of assets disposed	-	-
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
Gain (or loss) on disposal of Real estate assets held for sale		
Proceeds from sales	-	-
Less: Cost of sales	-	-
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
Gain (or loss) on disposal of Infrastructure assets		
Proceeds from disposal	15	-
Less: Carrying amount of assets disposed	1,653	-
Gain (or loss) on disposal	<u>(1,638)</u>	<u>-</u>
Gain (or loss) on disposal of Financial instruments		
Proceeds from disposal	6,528	65,673
Less: Carrying amount of assets disposed	6,528	65,673
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
Total gain (or loss) on Disposal of assets	<u>(1,638)</u>	<u>-</u>

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

Note 5 – Cash assets and investments

	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
Cash				
Cash on hand and at bank	-	-	14	-
Deposits at call	24,486	-	25,284	-
Total cash assets	24,486	-	25,298	-
Financial assets at fair value through profit and loss				
Managed funds				
At beginning of year	6,647	-	8,435	-
Revaluation adjustments	1,347	-	785	-
Additions	2,454	-	-	-
Disposals	(4,144)	-	(2,573)	-
At end of year	6,304	-	6,647	-
Held to maturity investments*				
At beginning of year	27,195	1,278	26,124	1,278
Additions	9,181	-	64,171	-
Disposals	(1,106)	(1,278)	(63,100)	-
At end of year	35,270	-	27,195	1,278
<i>*includes Term Deposits, Bank Bills, Bank Bonds</i>				
Total investment securities	41,574	-	33,842	1,278
Total cash assets and investment securities	66,060	-	59,140	1,278

Restricted cash assets and investments

Summary

	2011		2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
External restrictions				
- Included in liabilities	16,268	-	15,970	-
- Included in revenue	38,690	-	35,739	1,278
Total external restrictions	54,958	-	51,709	1,278
Internal restrictions				
- Included in liabilities	845	-	898	-
- Other	9,313	-	2,535	-
Total internal restrictions	10,158	-	3,433	-
Total unrestricted	944	-	3,998	-
Total cash assets and investment securities	66,060	-	59,140	1,278

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

Note 5 – Cash assets and investments (continued)

	2011		2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
External restrictions				
- included in liabilities				
Specific purpose unexpended loans	14,771	-	14,190	-
Self insurance claims	1,497	-	1,780	-
Other	-	-	-	-
- included in revenue				
Specific purpose unexpended grants	269	-	640	-
Water contributions	8,908	-	8,040	-
Drainage contributions	13,154	-	12,500	639
Sewerage contributions	16,359	-	14,559	639
Other	-	-	-	-
Total external restrictions	54,958	-	51,709	1,278
Internal restrictions				
-included in liabilities				
Self insurance claims	-	-	-	-
Deposit on Sale of Land	-	-	-	-
Employee leave entitlements	845	-	898	-
-other				
Public Liability Insurance	3	-	-	-
Unexpended budgets	510	-	25	-
Water equalisation	-	-	-	-
Other	-	-	-	-
Sewer refurbishment	-	-	1,710	-
Working capital	8,800	-	800	-
Total internal restrictions	10,158	-	3,433	-

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

Note 6 – Receivables

Purpose	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
Annual charges	2,793	54	2,476	50
Interest and extra charges	334	-	315	-
Government grants and subsidies	1,002	-	131	-
Accrued revenues	5,611	-	16,364	-
User charges and fees	7,094	-	2,571	-
Other	5,052	541	1,169	574
Total	21,886	595	23,026	624
Less : Provision for impairment				
- Other	5	-	5	-
Total	21,881	595	23,021	624

Water and sewer charges, interest and extra charges

Overdue water and sewer charges are secured over the relevant land and are subject to simple interest at a rate of 10.00%.

Other levels of government

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

Provision for doubtful debts

No amounts have been written off against the provision in the past two years.

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

Note 7 – Inventories

Inventories

Trading stock
Real Estate Assets Held for Resale

Actual 2011		Actual 2010	
Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
392	-	373	-
-	-	-	-
392	-	373	-

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

Note 8 – Infrastructure, property, plant and equipment

Class of asset	2010 \$'000				Movements during year \$'000						2011 \$'000			
	At cost	Fair value	Accumulated depreciation	Book value	Asset purchases	Transfers	Adjustments	Asset disposals	Depreciation	Revaluation increments/decrements	At cost	Fair value	Accumulated depreciation	Book value
Water supply														
Capital WIP	46,833	-	-	46,833	45,882	(27,667)					65,047			65,047
Plant - equipment	-	629	552	77					44			629	596	33
Office equipment	-	325	271	54					15			325	286	39
Furniture and fittings	-	145	97	48		10			11			155	110	45
Land														
-authority owned	-	11,873	-	11,873	380	2,337				208		14,799		14,799
Land improvements - depreciable				-										-
Other structures	11	-	1	10								11	2	9
Infrastructure														-
-water supply*	-	666,297	202,309	463,988	180	26,439		1,653	11,584	14,793		712,823	220,660	492,163
-stormwater drainage		278,922	63,940	214,982	674	4,418			2,303			284,015	66,243	217,772
Other Assets						(15)			(15)					
Total water supply	46,844	958,191	267,170	737,865	47,116	5,522	-	1,653	13,942	15,001	65,047	1,012,757	287,897	789,907
Sewerage services														
Capital WIP	5,772	-	-	5,772	5,665	(3,982)					7,455			7,455
Plant - equipment	-	586	564	22					15			586	579	7
Office equipment	-	451	425	26					9			451	434	17
Furniture and fittings	-	55	47	8					2			55	49	6
Land														
-authority owned	-	9,087	-	9,087		(71)						9,016		9,016
Infrastructure														-
-sewerage assets*	-	561,188	170,865	390,323	405	3,982			13,941	12,223		583,673	190,681	392,992
Total sewerage services	5,772	571,367	171,901	405,238	6,070	(71)	-	-	13,967	12,223	7,455	593,781	191,743	409,493
Total	52,616	1,529,558	439,071	1,143,103	53,186	5,451	-	1,653	27,909	27,224	72,502	1,606,538	479,640	1,199,400

* Water and sewerage infrastructure assets were re-valued as at 30 June 2011 using cost indexation factors.

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

Note 9 – Payables, borrowings and provisions

Item	Actual 2011		Actual 2010	
	Current \$'000	Non- current \$'000	Current \$'000	Non- current \$'000
Payables				
Goods and services	723	-	263	-
Payments received in advance	3,727	-	2,776	-
Accrued expenses	14,186	-	13,852	-
Accrued interest	1,180	-	1,200	-
Accrued salaries and wages	248	-	207	-
Bonds	216	-	214	-
Total payables	20,280	-	18,512	-
Interest bearing liabilities				
Bank overdraft				
Loans	9,964	176,948	9,808	160,913
Government advances	-	-	-	-
Ratepayers' advances	-	-	-	-
Finance lease liability	-	-	-	-
Deferred payment liabilities	-	-	-	-
Advance - Wyong Shire Council	-	-	-	-
Total interest bearing liabilities	9,964	176,948	9,808	160,913
Provisions				
Employee leave entitlements payable < 12 months	1,408	58	1,298	113
Employee leave entitlements payable > 12 months	2,818	-	3,163	-
Self insurance claims	178	826	176	853
Payroll tax	254	3	16	70
Dividend	-	-	-	-
Insurance	3	-	17	-
Total provisions	4,661	887	4,670	1,036
Movements in provisions (non-employee provisions):				
	2011 (\$'000)		2010 \$'000	
	Self Insurance claims	Other	Self Insurance claims	Other
Opening balance	1,029	103	1,371	105
Self insurance payments	-	-	-	-
Increase/decrease in provision	(25)	(14)	(342)	(2)
Increase/decrease in payroll tax liability on Employee leave entitlements	-	171	-	-
Dividend paid	-	-	-	-
Closing balance	1,004	260	1,029	103

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

Note 10 – Reconciliation of surplus (deficit) for the year to cash provided by (used in) operating activities

(a) Reconciliation of cash assets

	2011 \$ '000	2010 \$ '000
Cash and cash equivalents	24,486	25,298
Sub total	24,486	25,298
Less bank overdraft	-	-
Balances as per statement of cash flows	<u>24,486</u>	<u>25,298</u>

(b) Reconciliation of surplus (deficit) for the year to cash provided by (used in) operating activities

Surplus (deficit) for the year	15,924	7,923
<i>Add:</i> Depreciation and amortisation	28,116	28,223
Increase in employees' leave entitlements	-	301
Increase in other provisions	132	-
Decrease in receivables	1,169	-
Decrease in inventories	-	-
Decrease in other current assets	-	-
Increase in payables	460	-
Increase in accrued interest payable	-	34
Increase in accrued salaries and wages	41	95
Increase in other current liabilities	1,287	468
Loss on sale of assets	1,638	-
Carried down	<u>48,767</u>	<u>37,044</u>

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

Note 10 – Reconciliation of surplus (deficit) for the year to cash provided by (used in) operating activities (continued)

	2011 \$ '000	2010 \$ '000
Brought down	48,767	37,044
<i>Less:</i> Decrease in provision for doubtful debts	-	-
Decrease in other provisions	-	344
Non cash donations	720	2,788
Non cash asset adjustment revenue	-	-
Increase in receivables	-	6,546
Increase in inventories	19	84
Decrease in payables	-	2,012
Decrease in accrued interest payable	20	-
Decrease in accrued salaries and wages	-	-
Decrease in other current liabilities	-	-
Fair Value revaluation of investment assets	1,347	785
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	46,371	24,485
	<hr/>	<hr/>
(c) Non-cash financing and investing activities		
Acquisition of assets by means of developer contributions received in kind	720	2,788
	<hr/>	<hr/>
	720	2,788
	<hr/>	<hr/>

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

Note 11 - Financial risk management

Risk Management

The Authority borrows money to fund infrastructure developments and other community projects, and also invests its surplus funds. These activities expose the Authority to a number of risks including credit risk, market price risk, interest rate risk, and liquidity risk.

- *Credit 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.

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

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

The Authority held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial assets				
Cash and cash equivalents	24,486	25,298	24,486	25,298
Receivables	22,476	23,645	22,476	23,645
Financial assets at fair value through profit or loss	6,304	6,647	6,304	6,647
Held-to-maturity investments	35,270	28,473	35,270	28,473
	88,536	84,063	88,536	84,063
Financial liabilities				
Payables	20,280	18,512	20,280	18,512
Borrowings	186,912	170,721	199,449	174,838
	207,192	189,233	219,729	193,350

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)

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

The Authority manages these risks by

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

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

Sensitivity Analysis

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

The impact to the Authority of a 10% movement in the price of investments as at 30 June 2011 would be a gain or loss in the income statement of \$0.63 million (\$0.66 million at 30 June 2010).

The estimated impact of a 1% movement in interest rates at 30 June 2011 would be a gain or loss (reflected in the income statement) of \$0.60 million (\$0.54 million at 30 June 2010).

(b) Receivables

The Authority's major receivable amounts are

- annual charges
- fees and user charges

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

Other outstanding debts are monitored monthly and assessed for acceptable collection performance.

The Authority makes an impairment provision for these debts.

The Authority's Annual Charges debtor balances are rolled over into the overdue category at the end of the financial year.

(c) Payables and borrowings

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

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

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

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

2011 \$'000

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying values
Payables	20,280	-		20,280	20,280
Borrowings	23,089	105,616	165,757	294,462	186,912
	43,369	105,616	165,757	314,742	207,192

2010 \$'000

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying values
Payables	18,512	-	-	18,512	18,512
Borrowings	21,503	77,484	162,773	261,760	170,721
	40,015	77,484	162,773	280,272	189,233

The Authority incurred no significant overdraft debt in the year ending 30 June 2011. Water Authority receipts and payments are made through Council's main bank account (consolidated entity) which has an attached overdraft facility of \$500 thousand.

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

The Authority's borrowings are all at fixed rates of interest and therefore the sensitivity of the loan portfolio to market interest rate movements is zero. At 30 June 2011 the amount of undrawn loans was nil.

The weighted average borrowing rate (based on nominal interest rates and nominal amount advanced) was 7.06% as at 30 June 2011 (6.92 % at 30 June 2010.)

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

Note 12 – Joint Venture operation

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

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

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

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

	Actual 2011 \$'000	Actual 2010 \$'000
Current assets		
Receivables	-	-
Investments	-	-
Inventories	-	-
	<hr/>	<hr/>
	-	-
Non-current assets		
Receivables	-	-
Investments	-	-
Infrastructure, property, plant and equipment	228,071	224,375
	<hr/> 228,071	<hr/> 224,375
Share of assets employed in joint venture	<hr/> 228,071	<hr/> 224,375

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

Note 13 – Contingencies

Contingent Liabilities

Central Coast Water Corporation

Under the *Central Coast Water Corporation Act 2006*, a new body for water management in the Central Coast will be created with the agreement of Wyong and Gosford councils. The precise mechanisms by which functions will be transferred from the Water Supply Authority to the new body have yet to be established and at this stage transition costs cannot be reliably estimated.

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

Note 14 – Commitments

(a) Capital commitments (exclusive of GST)

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

- Infrastructure

Total commitments

These expenditures are payable as follows:

- Not later than one year

- Later than one year but not later than five years

- Later than five years

Total payable

(b) Service commitments (exclusive of GST)

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

- Project Management

Total commitments

These expenditures are payable as follows:

- Not later than one year

- Later than one year but not later than five years

- Later than five years

Total payable

(c) 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

- Later than one year but not later than five years

- Later than five years

Total payable

Actual 2011 \$'000	Actual 2010 \$'000
11,701	71,408
11,701	71,408
11,405	71,408
296	-
-	-
11,701	71,408
1,450	-
1,450	-
1,450	-
-	-
-	-
-	-
-	-
-	-
-	-

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

Note 15 – Revaluation reserves and retained earnings

	2011 \$'000	2010 \$'000
(a) Revaluation reserve - infrastructure, property, plant and equipment		
Balance at beginning of reporting period	421,916	330,899
Add: Revaluation increments transferred to reserve relating to:		
Water infrastructure assets	14,793	11,778
Sewerage infrastructure assets	12,223	6,220
Community land	208	
Drainage		73,019
	27,224	91,017
Less: Revaluation decrements	-	-
Balance at end of reporting period	449,140	421,916
<i>*The above reserve is used to record increments and decrements on the revaluation of infrastructure, plant, property and equipment.</i>		
(b) Retained earnings		
Balance at beginning of reporting period	611,579	603,998
Correction to errors:		
- adjustment to recognise change in accumulated depreciation due to revised estimates of useful life and asset consumption rates	-	-
- adjustments to restate Joint Water Assets to reflect joint ownership as per agreement with Gosford Council	-	-
Correction of errors	-	-
Taxation equivalent dividend payment in accordance with National Competition Policy	(366)	(342)
Net operating result for the year	15,924	7,923
Balance at end of reporting period	627,137	611,579

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

Note 16 – Intangible assets

Year ended 30 June 2010

Opening net book amount
Additions - acquisition
Amortisation charge

Closing net book amount

\$ '000

1,183

-

(288)

895

At 30 June 2010

Cost
Accumulated amortisation and impairment

Net book amount

2,469

(1,574)

895

Year ended 30 June 2011

Opening net book amount
Additions - acquisition
Amortisation charge

Closing net book amount

895

-

(206)

689

At 30 June 2011

Cost
Accumulated amortisation and impairment

Net book amount

2,469

(1,780)

689

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

--- end of audited financial statements---

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