

appendix-financial reports

FINANCIAL REPORT

in Plain English

Introduction

The General Purpose Financial Report shows how the Council performed financially during the 2007/2008 financial year and presents the financial position as at the end of the financial year.

Council presents its financial report in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs). Particular terms required by these Standards may not be familiar to some readers. Council is a "not-for-profit" organisation and some of the generally recognised terms used in the private sector corporate reports are not ideally transferable to the Local Government environment.

Warringah Council is mindful of its role of acting in the public interest and it is in this context that the Plain English guide is provided to assist readers in understanding and analysing the financial report.

What is Contained in the General Purpose Financial Report?

Council's Financial Report has two sections, namely:

- (1) The Principal Financial Statements
- (2) The Notes to and Forming Part of the Principal Financial Statements.

There are four (4) Principal Financial Statements and twenty five (25) Notes. These are prepared by Council staff, examined by the Council's Audit Committee and by Council and then audited by an independent Auditor. The four Principal Financial Statements appear immediately after the statement by Council on Pages 62-65 of the General Purpose Financial Report and comprise the following:

- Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Cash Flow Statement

The Notes detail Council's accounting policies and the make up of values contained in the Principal Financial Statements.

Statement by Councillors and Management

The Statement is made by the Council, the General Manager and the Responsible Accounting Officer to indicate that, in their opinion, the General Purpose Financial Report has met all the statutory and professional reporting requirements and has been prepared in accordance with Council's records.

Income Statement

The Income Statement shows:

- The sources of Council's revenue under various income headings
- The expenses incurred in running the Council during the year

These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

Code Update No. 16 requires emphasis of the net operating result before capital grants and contributions and indicates that revenues from operations exceeded expenses.

Balance Sheet

This statement is a snap shot of the financial position of the Council as at 30 June 2008. It shows what the Council owns as assets and what it owes as liabilities. The bottom line of this statement is net assets and is equivalent to the net worth of the Council that has built up since incorporation in 1906.

The assets and liabilities are separated into current and non-current. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Statement of Changes in Equity

During the course of the year the value of total equity as set out in the Balance Sheet changes. This Statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity are as follows:

- Surplus from operations as disclosed in the Income Statement
- Changes in minority interest of the subsidiary.

Cash Flow Statement

Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values differ from those shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- Operating activities
- Investing activities – this term relates to only assets such as new capital plant and other long-term revenue producing assets.
- Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement is the cash at the end of the financial year.

Notes to the Accounts

The Notes are a very important and informative section of the Report. Rather than expecting the reader to have a working knowledge of the numerous and forever-changing Australian Accounting Standards, the Notes are provided to enable the reader to understand the basis on which the values shown in the Statements are established. These are described in Note 1.

Apart from the Accounting Policies, the Notes also give details behind many of the summary figures contained in the Statements. The Note numbers are shown beside the relevant items in the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement.

Where Council wishes to disclose other information which cannot be incorporated into the Statements then this is shown in Note 18.

The Notes should be read at the same time as, and together with, other parts of the Financial Statements to get a clear picture of the accounts.

Auditor's Report on the Financial Statements and on the Conduct of the Audit

The independent Audit Report is the external and independent opinion on the Financial Statements. It provides the reader with a totally independent opinion and covers both the statutory and professional requirements and also the fairness aspects of the Financial Statements.

Local Government Financial Health Check

Attached to this Plain English guide is Council's Sustainable Financial Health Check prepared in accordance with the industry accepted guidelines.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

REVENUE SOURCES

Information Note – Revenue Sources

Information Note Title: Sources of Total Ordinary Revenue Before Capital

Indicator Definition: Revenue from Ordinary Activities is classified by source

	Last Year - 2 June 2005	% age of Total Revenue	Last Year - 1 June 2006	% age of Total Revenue	Last Year June 2007	% age of Total Revenue	Current Year June 2008	% age of Total Revenue
Rates & Charges								
General Purpose	49,061	49.91%	51,176	49.90%	56,458	51.30%	58,381	51.78%
Specific Purpose (DWM)	10,407	10.59%	9,786	9.54%	9,181	8.35%	9,893	8.77%
User Charges & Fees	21,195	21.56%	21,352	20.82%	22,212	20.18%	24,083	21.36%
Interest	5,385	5.48%	5,540	5.40%	6,427	5.84%	4,655	4.13%
Grants (Operating)								
General Purpose	3,851	3.92%	4,025	3.92%	4,155	3.78%	4,270	3.79%
Specific Purpose	3,600	3.66%	4,149	4.05%	3,653	3.32%	3,617	3.21%
Contributions	1,345	1.37%	2,273	2.22%	1,883	1.71%	1,230	1.09%
Profit on Sales of Assets	306	0.31%	0	0.00%	80	0.07%	588	0.52%
Other	3,150	3.20%	4,250	4.14%	6,012	5.46%	6,032	5.35%
Total Revenues from Continuing Operations less Capital Grants & Contributions	\$98,300	100.00%	\$102,551	100.00%	\$110,061	100.00%	\$112,749	100.00%

Commentary: Trend analysis for 2008 very similar to 2006 and 2007. General Purpose rates increase is due mainly to 3.4% rate increase. Interest was down for the year, due to world economic issues and the American sub prime market, no loss of capital was experienced.

CASH/LIQUIDITY POSITION

Indicator # 1

Cash /Liquidity Position – after accounting for external reserves

1.1 Indicator Definition: Current Assets less Externally Restricted Current Assets / Current Liabilities less Specific

Purpose Current Liabilities

Indicator / Local Government Benchmark:

Greater than 2:1

Between 1:1 and 2:1

Less than 1:1

Successive years > 10:1

1.1 Unrestricted Current Ratio

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
4.11	3.72	3.73	3.83	3.83

Commentary: Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due. During 2009 it is expected that this ratio will increase slightly.

1.2 Indicator Definition: Available Cash Position

[a] Available Cash Assets / Cash Assets less Externally Restricted Assets

[b] Unrestricted Available Cash Assets / Available Cash Assets less Internally Restricted Assets

Indicator / Local Government Benchmark: For Information Only

1.2 Available Cash Position

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
[a] \$56,281	\$57,632	\$57,836	\$59,696	\$59,696
[b] \$16,703	\$15,819	\$12,663	\$8,843	\$9,983

Commentary: This indicator is used to interpret indicator 1.1 in \$ amount. More than adequate funds available, providing the capacity to respond to opportunities or react to unforeseen commitments that may arise. Based on forecasted cashflows, it is expected that Cash Assets will decrease in 2008 due to increased Capital Works Program in accordance with adopted Long Term Financial Strategy.

1.3 Indicator Definition: Availability of Cash Assets as a % of Total Revenue

[a] Available Cash Assets / Total Ordinary Revenue before Capital

[b] Unrestricted Available Cash Assets / Total Ordinary Revenue before Capital

Indicator /Local Government Benchmark: For Information Only

1.3 Availability of Cash Assets as a % of total Revenue

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
[a] 51.14%	51.12%	51.30%	52.95%	52.95%
[b] 15.18%	14.03%	11.23%	7.84%	8.85%

Commentary: This indicator is used to interpret indicator 1.2(b) in % amount. This demonstrates that Council funds are available either for unplanned works or commitments or the existence of emergency provisions.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

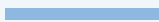
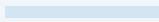
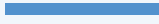
OPERATING RESULT

Indicator # 2 – Operating Result – using trend analysis

Result from Continuing Operations before Capital Grants & Contributions

Indicator Definition: Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result or 'Profit' after depreciation

Indicator / Local Government Benchmark:

Three (3) successive surplus' 
Surplus 
Deficit 

Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008
4,419	7,490	5,024	9,261	3,750

Commentary: Council continues to generate sufficient revenue to cover its operating expenditure, including depreciation based on out of date valuations.

As this analysis assumes that the current depreciation provisions are adequate to provide for the replacement of existing assets, it should be considered with caution.

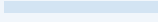

ASSET RENEWAL EXPENDITURE

Indicator # 3 – Asset Renewal Expenditure

Indicator Title: Asset Renewal

Indicator Definition: Capital Renewal Capacity – amount of funds spent on renewing assets (as opposed to maintaining them) = Capital Expenditure on Existing Assets / Annual Depreciation

Indicator / Local Government Benchmark:

1 to 1 
Less than 1:1 

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
1.21	0.65	1.25	1.03	1.03

Commentary: This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has been adopted and applied to next year's budget to address this year's shortfall.

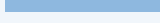


DEBT SERVICE RATIO

Indicator # 4 – Debt Service Ratio

Debt Service Ratio

Indicator Definition: Net Debt Service Cost / Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

< 10% 
10%-15% 
> 15% 

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
3.41%	1.86%	2.00%	3.46%	6.02%

Commentary: This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments). Council's ability to service its debt is excellent. In 2010 and 2011 this ratio will rise as Council plans to borrow to complete budgeted capital works for Warringah Aquatic Centre. Also planned for 2011 is a balloon payment of \$3m to retire debt that was refinanced in 2001.

2012 will see the ratio drop back to 2.41%

COLLECTION PERFORMANCE

Indicator # 5 – Collection Performance

5.1 Outstanding Rates, Charges & Fees

5.2 Rates, Annual, Interest and Extra charges outstanding

Indicator Definition: 5.1 Total Outstanding Rates Charges and Fees / Invoices raised plus Arrears B/Fwd. 5.2 Rates, Annual, Interest and Extra Charges Outstanding / Rates Annual, Interest and Extra Charges Collectible
Indicator / Local Government Benchmark:

< 4% 
4%-5% 
> 5% 

Year Ended June 2007	Year Ended June 2008	Year Ended June 2009	Year Ended June 2010	Year Ended June 2011
5.1 4.00%	4.92%	3.90%	3.85%	3.85%
5.2 2.92%	3.46%	3.50%	3.45%	3.45%

Commentary: 5.1 Outstanding rates, charges & fees indicator measures the effectiveness of Council in recovering all debts legally owed to it whereas 5.2 Rates, Annual, Interest and Extra charges outstanding assesses only the impact of Rates, Annual, Interest and Extra charges on liquidity and the adequacy of recovery efforts.

Council achieved a green indicator again this year but note due to the implementation of a new debtors system in December 2007, delays in the ability to produce statement and reports has impacted debt recovery efforts during the last six months. These issues have been resolved and debt collect should improve during the next financial year.


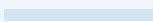
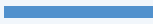
RE-VOTES OF EXPENDITURE

Indicator # 6 – Re – Votes of Expenditure

Re-Votes of Expenditure

Indicator Definition: Revotes / Ordinary and Capital Expenditure

Indicator / Local Government Benchmark:

< 2% 
2%-5% 
> 5% 

Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008
3.55%	1.06%	3.38%	2.57%	0.08%

Commentary: The existence of re-votes at year end indicates that funded projects / outcomes were not delivered in accordance with the management plan. Last year Council reported 2.57% of its expenditure as an adjustment to the 2007/2008 budget. The adjustment to the 2008/2009 budget represents less than 0.1% of total expenditure and is a considerable improvement on last year.

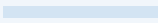

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

ACCURACY / TIMELINES OF FINANCIAL DATA / BUDGET / COMPLIANCE

Indicator # 7 – Management Practices

Indicator Definition: As Indicated Below

Indicator / Local Government Benchmark:

8 to 10 Achieved 
5 to 7 Achieved 
< or = 4 Achieved 

	Year Ended June 2004	Year Ended June 2005	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008
1. Financial Bottom Line (before capital matched to forecasts to a level of + or – 10%	No	No	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline	Yes	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end	Yes	Yes	Yes	Yes	Yes
5. Do you report quarterly – within 21 days of quarter end	No	No	No	No	No
6. Do you report annually – within 21 days of year end	No	No	No	No	No
7. Budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	No	No	No	Yes	Yes
8. Rigour of budget review and then ongoing monthly/ quarterly budget to actual results analysis	Yes	Yes	Yes	Yes	Yes
9. Does RAO (Responsible Accounting Officer) formally report to Council on the sign off of Financial Statements – Section 413 (2) (c)	Yes	Yes	Yes	Yes	Yes
10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice.	Yes	Yes	Yes	Yes	Yes
	6	6	6	7	7

Monthly reporting to management has been extended to monthly budget reporting to management, with a 1 day close off. In July 2008 a new financial reporting tool was implemented, this will assist in striving for the 'Green Light' status.

ANNUAL FINANCIAL REPORTS

for the year ended 30 June 2008

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COUNCIL CERTIFICATE

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Statement by Councillors & Management	61	(i) This Financial Report covers the consolidated operations for Warringah Council.
Principal Financial Statements		(ii) Warringah Council is a body corporate of NSW, Australia – being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.
Income Statement	62	Council's Statutory Charter is specified in Section 8 of the LGA and includes;
Balance Sheet	63	<ul style="list-style-type: none">• carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public• responsibility for administering regulatory requirements under the LGA and other applicable legislation, &• a role in the management, improvement and development of the resources of the local government area.
Statement of Changes in Equity	64	A description of nature of Council's operations and its principal activities are provided in Note 2(b).
Cash Flow Statement	65	(iii) All figures presented in this Financial Report represent Australian Currency.
Notes to the Principal Financial Statements	66	(iv) This Financial Report was authorised for issue by the Council on 9/09/08. Council has the power to amend and reissue the financial report.
Independent Auditor's Reports		
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ANNUAL FINANCIAL STATEMENTS for the year ending 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT

MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up 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, this Report:

- › Presents fairly the Council's financial position and operating result for the year, and
- › Accords with Council's accounting and other records

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

Signed in accordance with a resolution of Council made on 9 September 2008.



Dick Persson
ADMINISTRATOR



Rik Hart
GENERAL MANAGER



Gary Mottau
RESPONSIBLE ACCOUNTING OFFICER

ANNUAL FINANCIAL STATEMENTS

INCOME STATEMENT for the financial year ended 30 June 2008

BUDGET ⁽¹⁾ 2008	\$ '000	Notes	Actual 2008	Actual 2007
INCOME FROM CONTINUING OPERATIONS				
Revenue:				
68,631	Rates & Annual Charges	3a	68,274	65,639
24,397	User Charges & Fees	3b	24,083	22,212
5,033	Interest & Investment Revenue	3c	4,655	6,427
6,557	Other Revenues	3d	6,032	6,012
7,003	Grants & Contributions provided for Operating Purposes	3e,f	9,117	9,691
4,922	Grants & Contributions provided for Capital Purposes	3e,f	10,692	2,436
Other Income:				
-	Net gains from the disposal of assets	5	588	80
-	Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	-
116,543	TOTAL INCOME FROM CONTINUING OPERATIONS		123,441	112,497
EXPENSES FROM CONTINUING OPERATIONS				
44,077	Employee Benefits & On-Costs	4a	45,525	40,326
452	Borrowing Costs	4b	810	955
34,713	Materials & Contracts	4c	39,155	37,157
11,922	Depreciation & Amortisation	4d	11,596	11,893
-	Impairment	4d	-	-
17,531	Other Expenses	4e	11,610	10,058
-	Share of interests in Joint Ventures & Associates using the Equity Method	19	303	411
108,695	TOTAL EXPENSES FROM CONTINUING OPERATIONS		108,999	100,800
7,848	OPERATING RESULT FROM CONTINUING OPERATIONS		14,442	11,697
DISCONTINUED OPERATIONS				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
7,848	NET OPERATING RESULT FOR THE YEAR		14,442	11,697
6,398	Net Operating Result attributable to Council		13,595	10,655
1,450	Net Operating Result attributable to Minority Interests		847	1,042
2,926	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		3,750	9,261

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

This report should be read in conjunction with the following notes.

ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET as at 30 June 2008

\$ '000	Notes	Actual 2008	Actual 2007
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	42,939	77,138
Investments	6b	37,905	-
Receivables	7	7,972	5,814
Inventories	8	113	136
Other	8	601	479
Non-current assets classified as "held for sale"	22	3,144	-
Total Current Assets		92,674	83,567
Non-Current Assets			
Investments	6b	21,635	14,138
Receivables	7	466	415
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	3,301,282	3,246,217
Investments Accounted for using the equity method	19	878	772
Investment Property	14	2,200	2,175
Other	8	-	-
Total Non-Current Assets		3,326,461	3,263,717
TOTAL ASSETS		3,419,135	3,347,284
LIABILITIES			
Current Liabilities			
Payables	10	17,232	12,833
Borrowings	10	1,408	1,483
Provisions	10	8,984	8,865
Total Current Liabilities		27,624	23,181
Non-Current Liabilities			
Payables	10	-	-
Interest Bearing Liabilities	10	5,865	6,764
Provisions	10	7,589	7,382
Total Non-Current Liabilities		13,454	14,146
TOTAL LIABILITIES		41,078	37,327
NET ASSETS		3,378,057	3,309,957
EQUITY			
Retained Earnings	20	3,319,634	3,306,039
Revaluation Reserves	20	53,658	-
Council Equity Interest		3,373,292	3,306,039
Minority Equity Interest		4,765	3,918
TOTAL EQUITY		3,378,057	3,309,957

This report should be read in conjunction with the following notes.

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2008

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		3,306,039	-	3,306,039	3,918	3,309,957
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		3,306,039	-	3,306,039	3,918	3,309,957
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	53,658	53,658	-	53,658
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	53,658	53,658	-	53,658
d. Net Operating Result for the Year		13,595	-	13,595	847	14,442
Total Recognised Income & Expenses (c&d)		13,595	53,658	67,253	847	68,100
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity – Balance at end of the reporting period		3,319,634	53,658	3,373,292	4,765	3,378,057
2007						
Opening Balance (as per Last Year's Audited Accounts)		3,295,384	-	3,295,384	3,354	3,298,738
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		3,295,384	-	3,295,384	3,354	3,298,738
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	-	-	-	-
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	-	-	-	-
d. Net Operating Result for the Year		10,655	-	10,655	1,042	11,697
Total Recognised Income & Expenses (c&d)		10,655	-	10,655	1,042	11,697
e. Distributions to/(Contributions from) Minority Interests		-	-	-	(478)	(478)
f. Transfers between Equity		-	-	-	-	-
Equity – Balance at end of the reporting period		3,306,039	-	3,306,039	3,918	3,309,957

This report should be read in conjunction with the following notes.

ANNUAL FINANCIAL STATEMENTS

CASH FLOW STATEMENT for the financial year ended 30 June 2008

BUDGET 2008	\$ '000	Notes	Actual 2008	Actual 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts:				
68,631	Rates & Annual Charges		67,877	66,178
24,397	User Charges & Fees		23,483	23,958
5,033	Interest & Investment Revenue Received		3,931	6,503
11,925	Grants & Contributions		20,542	12,258
6,557	Other		10,514	8,833
Payments:				
(44,077)	Employee Benefits & On-Costs		(45,542)	(40,912)
(34,713)	Materials & Contracts		(39,015)	(41,942)
(452)	Borrowing Costs		(539)	(794)
(17,531)	Other		(13,071)	(13,183)
19,770	Net Cash provided (or used in) Operating Activities	11b	28,180	20,899
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts:				
-	Sale of Investment Securities		12,485	-
-	Sale of Infrastructure, Property, Plant & Equipment		2,196	1,581
Payments:				
-	Purchase of Investment Securities		(58,122)	(2,000)
(20,185)	Purchase of Infrastructure, Property, Plant & Equipment		(17,555)	(19,987)
-	Contributions Paid to Joint Ventures & Associates		(409)	(409)
(20,185)	Net Cash provided (or used in) Investing Activities		(61,405)	(20,815)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts:				
-	Proceeds from Borrowings & Advances		515	679
Payments:				
(871)	Repayment of Borrowings & Advances		(866)	(2,177)
-	Repayment of Finance Lease Liabilities		(623)	(712)
-	Distributions to Minority Interests		-	(440)
(871)	Net Cash Flow provided (used in) Financing Activities		(974)	(2,650)
(1,286)	Net Increase/(Decrease) in Cash & Cash Equivalents		(34,199)	(2,566)
77,138	plus: Cash & Cash Equivalents – beginning of year	11a	77,138	79,704
75,852	Cash & Cash Equivalents – end of the year	11a	42,939	77,138

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

This report should be read in conjunction with the following notes.

Notes to the Financial Statements

for the financial year ended 30 June 2008

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Notes to the Financial Statements

for the financial year ended 30 June 2008

Note I

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial reports.

(a) Basis of preparation

(i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's or (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

Accordingly in preparing this Financial Report and Accompanying Notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

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

(iii) Application of AAS 27

Council is required to comply with AAS 27 – "Financial Reporting by Local Government", and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific "not for profit" reporting requirements.

(iv) Basis of Accounting

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

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

(v) Changes in Accounting Policies

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

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

(vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) in conformity with AIFRS requires the use of certain critical accounting estimates.

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

(b) Revenue recognition

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

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

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

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

A provision for doubtful debt is recognised

when collection in full is no longer probable. A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

Warringah Council is incorporated under the NSW Local Government Act 1993 (as amended) and has its principal place of business at

Civic Centre 725 Pittwater Rd Dee Why.

These Financial Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/08) and (ii) all the related operating results (for the financial year ended the 30th June 2008).

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

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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the

Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General Purpose Operations
- Kimbriki Recycling & Waste Disposal Centre
- Beacon Hill War Memorial Hall
- Curl Curl Sports Centre Management Committee
- Forest Community Arts Centre
- Forestville Memorial Hall
- Forestville RSL Playing Field Committee
- Glen Street Theatre
- Harbord Literary Institute
- Lionel Watts Park
- North Balgowlah Community Centre
- Terrey Hills Community Centre
- Tramshed Community Centre
- Wyatt Avenue Tennis Centre

Other joint ventures and associated entities in which Council is involved are included to the extent set out in (iii), Joint Venture Entities.

(ii) The Trust Fund

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

(iii) Joint Venture Entities

Jointly Controlled Assets

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

Jointly Controlled Entities

The interest in a Joint Venture Partnership is accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Kimbriki Recycling and Waste Disposal Centre is the entity over which Council exercises control.

An annual provision is made for the ultimate cost to embellish the site operated by Kimbriki Recycling and Waste Disposal Centre, on closure. In excess of \$8.078 million of real estate has been restricted for this purpose.

Details relating to such Entities and Partnerships (where applicable) are set out in Note 19.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity),

ie. where Council is deemed to have "significantly influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities. Warringah and Pittwater Rural Fire service comes under this heading. Such entities are usually termed "Associates".

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Investments and Other Financial Assets

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

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

Each classification depends on the purpose/intention for which the investment was acquired.

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

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets as they are primarily held for trading &/

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

Accordingly, this classification principally comprises marketable equity securities.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the

income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

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

(iii) Types of Investments

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note I

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

(g) Fair value estimation

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

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

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

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

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

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

(h) Receivables

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

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

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Councils policy.

A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are carried at the carrying value at the time of that decision.

(j) Infrastructure, property, plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are being progressively revalued to fair value in accordance with a staged implementation

as advised by the Department of Local Government.

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

- **Investment Properties** which are valued at Fair Value – refer Note 1(k), and
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2008/09:** Roads, bridges, footpaths and drainage, land improvements, other structures and other assets
- **2009/10:** Community land

Until these designated future reporting periods, the above asset classes are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

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

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

Subsequent costs

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

Asset Revaluations

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

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously 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, with all other decreases charged to the Income statement.
- Buildings – An independent valuation of buildings was done by Scott Fullarton Valuations Pty Limited and was based on fair value as at 30 June 2008.

Capitalisation Thresholds

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

Land

Council land	100% Capitalised
Open space	100% Capitalised

Plant & Equipment

Office Furniture	\$2,000
Office Equipment	\$2,000
Other Plant & Equipment	\$2,000

Buildings & Land Improvements

Park Furniture & Equipment	100% Capitalised
Building	
- construction/extensions	100% Capitalised
- renovations	100% Capitalised
Other Structures	100% Capitalised

Infrastructure Assets

Stormwater Assets	100% Capitalised
Roads, Bridges, Footpaths	100% Capitalised

The change in capitalization thresholds to 100% for Buildings and Infrastructure assets has been made to align with Council's new Works & Assets computer system. Comparatives have not been adjusted as previous systems would not allow for this level of detail.

Depreciation

Depreciation on Councils infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of their residual values) over its estimated useful life.

Land is not depreciated.

The range of estimated useful lives for Councils assets include:

Plant & Equipment

Office Equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles & Road Making Equip	5 to 8 years
Other plant and equipment	5 to 15 years

Other Equipment

Playground equipment	5 to 15 years
Benches, seats etc	10 to 20 years
Park Structures-Masonry	50 to 100 years
Park structures	
- other Construction	20 to 40 years

Buildings

Buildings – Masonry	50 to 100 years
Other	20 to 40 years

Stormwater Drainage

Drains	100 years
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Transportation Assets

Sealed Roads: Structure	100 years
Bridge: Concrete	100 years

Other Infrastructure Assets

Bulk earthworks	Indefinite
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Other Assets

Library Books	5 to 15 years
Artworks	Indefinite

All asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(r) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Crown Reserves

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

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

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

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(l) Rural Fire Service assets

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

fighting equipment has been purchased or constructed”.

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

Until such time as discussions on this matter have concluded and the legislation changed, council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these Financial Reports. Council has title to and is the registered owner of seventy-six (76) rural fire appliances and associated rural fire fighting equipment. In accordance with normal Rural Fire Service funding arrangements, council continues to contribute to the costs of maintenance of this equipment.

(m) Investment property

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

Investment property is carried at fair value, representing an open-market value determined annually by external valuers. Council has only one property classified as investment situated at 521 Pittwater Rd Brookvale.

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

Full revaluations are carried out every year.

(n) Land

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

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

Council officers have valued Community land at a municipal site value of \$175.70 per square metre and \$1,300.95 per square metre for commercial sites. These figures are an average of the Valuer General's rates as at 1 July 2004.

Restricted Assets:

Note 9A of the property assets held no.s 7,8,8A & 10 Kimbriki Rd, Ingleside have been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of purchase price, which equals \$2.868 million. These assets were acquired during previous reporting periods. As at June 2008, council holds equity in the four (4) properties at Kimbriki Rd, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater councils.

(o) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 1 July 2008.

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

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

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or ‘unwinding’ of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 21.

(q) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis.

Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets classified as "Non Current Assets Held for Sale", an impairment loss is recognised where the assets carrying value is greater than its fair value less costs to sell.

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

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

(r) Impairment of assets

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

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

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

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

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

(s) Payables

(i) Goods & Services

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

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

(ii) Payments received in advance & deposits

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

The interest rate that Council will pay on monies held in bonds is 0.20% per annum. (Commonwealth Bank Streamline account.)

Only accrued interest amounts over \$1.00 will be paid out.

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(v) Provisions

Provisions for legal claims and service warranties are recognised when:

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

Provisions are not recognised for future operating losses.

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

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

(w) Employee benefits

(i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service

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

(iii) Retirement benefit obligations

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

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

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006.

This valuation found that the Schemes assets were \$3,291.1 million and its past service liabilities were \$2,980.3 million, giving it a Surplus of \$310.8 million.

Whilst the existence of this surplus resulted in Council contributing at half the normal level of contributions during the 06/07 year, investment market conditions experienced in the last 12 months has resulted in the Board requiring all Councils to contribute at the full "notional" contribution rate from 1/7/08.

The financial position of the Scheme is monitored annually.

Contributions to defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those arising from the payment of employee benefits in future periods – including Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/08.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

(x) Self insurance

Council 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 amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(y) Allocation between current and non-current

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

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

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is

not recoverable from the Australian Tax Office (ATO).

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST.

Accordingly, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2008.

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

Applicable to Local Government with the implications:

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

- AASB 1051 Land Under Roads, AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008.

Council will be required to nominate whether to recognise Land under roads (acquired after 30 June 2008) or to exclude these Assets from recognition.

This Standard could have a significant impact on the Council's Balance Sheet depending on Council's accounting policy choice.

- AASB 1052 Disaggregated Disclosures, AASB 1052 requires disclosure of financial information by function or activity. Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

- AASB 1004 Contributions (revised), AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

- AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31, Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies AIFRS (but with AAS 27 taking precedence).

The withdrawal of AAS 27 will see specific paragraphs transferred to existing AIFRS, and accordingly there is little impact from its withdrawal.

Applicable to Local Government but no implications for Council;

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1

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

- AASB-1 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures
- ASB-1 13 Customer Loyalty Programmes
- AASB-1 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Not applicable to Local Government per se;

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 1049 Whole of Government and General Government Sector Financial Reporting
- AASB 1050 Administered Items
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)

Council has not adopted any of these standards early.

(ab) Rounding of amounts

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

(ac) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within this Financial Report and/or the Notes.

Income Statement	2007	2008	Diff
Note 3b: User Charges & Fees – Rent & Hire of Council Properties, now in Note 3d (Other Revenue)	24,003	22,212	-1,791
Note 3d: Other Revenues, now includes Rent & Hire of Council Properties, from Note 3b (User Charges & Fees)	4,221	6,012	1,791
Note 3e, f: Grants & Contributions – EPA Rebate, previously netted off against Materials & Contracts in Note 4c	9,518	9,691	173
Note 4c: Materials & Contracts, EPA Rebate shown in Note 3e,f	36,984	37,157	173
Overall result NIL effect			

Cash Flow Statement	2007	2008	Diff
Cash Flows from Investing Activities: Payments: Distribution to Minority Interest	-440	0	-440
Cash Flow from Financing Activities: Payments: Distribution to Minority Interest	0	-440	440
Overall NIL effect			

(ad) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 2a

NOTE 2A FUNCTIONS / ACTIVITIES – FINANCIAL DISCLOSURES

\$ '000

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 2(b).

Functions / Activities	Income from Continuing Operations			Expenses from Continuing Operations			Operating result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2008	Actual Budget 2008	Actual 2007	Original Budget 2008	Actual Budget 2008	Actual 2007	Original Budget 2008	Actual Budget 2008	Actual 2007	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Governance	107	235	497	2,403	3,997	1,585	(2,296)	(3,762)	(1,088)	1,269	-	1,164	-
Administration	4,508	18,494	5,690	48,531	48,006	43,432	(44,023)	(29,512)	(37,742)	24	44	2,894,304	2,867,817
Public Order and Safety	3,248	1,859	1,963	4,713	3,353	3,461	(1,465)	(1,494)	(1,498)	5	117	20,093	10,818
Health	6	48	5	159	10	148	(153)	38	(143)	4	-	1,582	806
Community Services and Education	4,813	4,754	5,203	5,896	6,182	6,234	(1,083)	(1,428)	(1,031)	560	1,221	13,406	5,290
Housing and Community Amenities	11,882	13,067	12,565	17,447	12,354	17,222	(5,565)	713	(4,657)	248	318	171,691	171,642
Water Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and Culture	7,948	4,091	5,679	12,872	15,091	12,326	(4,924)	(11,000)	(6,647)	7,575	983	80,221	56,367
Fuel and Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing and Construction	2,368	2,124	2,083	4,532	4,790	4,038	(2,164)	(2,666)	(1,955)	-	-	-	-
Transport and Communication	3,794	1,502	3,238	3,393	4,815	3,574	401	(3,313)	(336)	1,101	1,341	235,419	233,573
Economic Affairs	10,628	11,296	10,091	8,749	10,098	8,369	1,879	1,198	1,722	-	-	377	199
Total Functions and Activities	49,302	57,470	47,014	108,695	108,696	100,389	(59,393)	(51,226)	(53,375)	10,786	4,024	3,418,257	3,346,512
Share of gains / (losses) in Associates and Joint Ventures (using the Equity Method)	-	-	-	-	303	411	-	(303)	(411)	-	-	878	772
General Purpose Income ¹	67,241	65,971	65,483	-	-	-	67,241	65,971	65,483	4,270	4,155	-	-
Share attributable to minority interests	-	-	-	-	-	-	(1,450)	(847)	(1,042)	-	-	-	-
Operating Result from Continuing Operations	116,543	123,441	112,497	108,695	108,999	100,800	6,398	13,595	10,655	15,056	8,179	3,419,135	3,347,284

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 2b

NOTE 2B COMPONENTS OF FUNCTIONS / ACTIVITIES

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributed to other functions / activities.

Public Order and Safety

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

Health

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

Community Services and Education

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

Housing and Community Amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

Water Supplies

Nil

Sewerage Services

Nil

Recreation and Culture

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

Fuel and Energy

Gas Supplies

Mining, Manufacturing and Construction

Building control, abattoirs, quarries and pits, other.

Transport and Communication

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

Economic Affairs

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3

NOTE 3 INCOME FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2008	Actual 2007
(A) RATES AND ANNUAL CHARGES			
Ordinary Rates			
Residential		46,594	45,021
Business		11,787	11,437
Total Current Assets		58,381	56,458
Special Rates			
Nil			
Annual Charges			
Domestic Waste Management Services		9,893	9,181
Total Annual Charges		9,893	9,181
TOTAL RATES AND ANNUAL CHARGES		68,274	65,639
(B) USER CHARGES & FEES			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1058	914
Total User Charges		1058	914
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		3022	2571
Section 603 Certificates		198	188
Section 611 Charges		62	62
Dog Registration / Road & Shop Inspection		871	518
Total Fees & Charges - Statutory/Regulatory		4153	3339
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Child Care		2611	2848
Community Centres		1240	1152
Glen Street Theatre		2220	1916
Kimbriki Waste & Recycling Centre		9335	8810
Libraries		127	128
Parking Areas		482	483
Swimming Centres		1902	2019
Other		955	603
Total Fees & Charges - Other		18872	17959
TOTAL USER CHARGES & FEES		24083	22212

Council has used 2006 year valuations provided by the NSW Valuer General in calculating its rates.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3

NOTE 3 INCOME FROM CONTINUING OPERATIONS continued

\$ '000	Notes	Actual 2008	Actual 2007
(C) INTEREST & INVESTMENT REVENUE (INCL. LOSSES)			
Interest on Overdue Rates & Annual Charges		150	149
Interest earned on Investments (interest & coupon payment income)		4,740	6,294
Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(235)	(16)
TOTAL INTEREST & INVESTMENT REVENUE		4,655	6,427
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		150	149
General Council Cash & Investments		3,304	4,689
Restricted Investments/Funds – External:			
Development Contributions			
- Section 94		1,201	1,589
Restricted Investments / Funds – Internal:			
Total Interest & Investment Revenue Recognised		4,655	6,427
(D) OTHER REVENUES			
Fair Value Adjustments – Investment Properties	14	25	265
Rental Income – Investment Properties	14	157	151
Rental Income – Other Council Properties		1,725	1,791
Ex Gratia Rates		16	16
Fines		1,860	1,921
Legal Fees Recovery – Rates & Charges (Extra Charges)		136	195
Insurance Claim Recoveries		35	5
Recycling Income (non domestic)		718	666
Sales – General		430	306
Sullage Income/Sponsorship		135	250
Waste Performance Improvement		237	112
Other		558	334
TOTAL OTHER REVENUE		6,032	6,012

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3

NOTE 3 INCOME FROM CONTINUING OPERATIONS continued

\$ '000	Notes	2008 Operating	2007 Operating	2008 Capital	2007 Capital
(E) GRANTS					
General Purpose (Untied)					
Financial Assistance		3,472	3,354	-	-
Pensioners' Rates Subsidies – General Component		798	801	-	-
Total General Purpose		4,270	4,155	-	-
Specific Purpose					
Pensioners' Rate's Subsidies:					
- Domestic Waste Management		148	143	-	-
Coast & Estuaries		1,156	527	-	47
Community Care		1,554	1,265	-	-
Community Centres		100	292	-	-
Heritage & Cultural		347	343	-	66
Sport & Recreation		-	-	6,072	-
Street Lighting		308	300	-	-
Transport (Roads to Recovery)		-	-	645	-
Transport (Other Roads & Bridges Funding)		4	783	452	258
Total Specific Purpose		3,617	3,653	7,169	371
TOTAL GRANTS		7,887	7,808	7,169	371
Grant Revenue is attributable to:					
Commonwealth Funding		2,880	3,256	645	258
State Funding		5,007	4,552	6,524	113
		7,887	7,808	7,169	371
(F) CONTRIBUTIONS					
Developer Contributions:					
(s93 & s94 – EP&A Act, s64 of the NSW LG Act):					
S 94 – Contributions towards amenities/services		-	-	1,926	1,743
S 94A – Fixed Development Consent Levies		-	-	1,551	322
Total Developer Contributions	17	-	-	3,477	2,065
Other Contributions:					
Coast and Estuaries		51	263	-	-
Community Centres		-	419	-	-
LEMC Contributions		-	9	-	-
RTA Contributions (Regional/Local, Block Grant)		934	950	-	-
EPA Rebate		226	173	-	-
Other		19	69	46	-
Total Other Contributions		1,230	1,883	46	-
Total Contributions		1,230	1,883	3,523	2,065
TOTAL GRANTS & CONTRIBUTIONS		9,117	9,691	10,692	2,436

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3

NOTE 3 INCOME FROM CONTINUING OPERATIONS continued

\$ '000	Actual 2008	Actual 2007
(G) RESTRICTIONS RELATING TO GRANTS AND CONTRIBUTIONS		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	26,419	26,713
add: Grants and contributions recognised in the current period which have not been spent:	11,328	4,761
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(4,236)	(5,055)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	7,092	(294)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	33,511	26,419
Comprising:		
- Specific Purpose Unexpended Grants	7,265	1,387
- Developer Contributions	25,923	24,709
- Other Contributions	323	323
	33,511	26,419

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4

NOTE 4 EXPENSES FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2008	Actual 2007
Salaries and Wages		35,173	32,867
Employee Termination Costs		1,293	-
Travelling		128	78
Employee Leave Entitlements (ELE)		4,167	3,568
Superannuation - Defined Contribution Plans		3,192	3,018
Workers' Compensation Insurance		423	(72)
Fringe Benefit Tax (FBT)		144	108
Training Costs (other than Salaries & Wages)		612	553
Recruitment Costs		373	500
Other		164	180
Total Employee Costs		45,669	40,800
less: Capitalised Costs		(144)	(474)
TOTAL EMPLOYEE COSTS EXPENSED		45,525	40,326
Number of "Equivalent Full Time" Employees at year end		566	559
(B) BORROWING COSTS			
(i) Interest Bearing Liability Costs			
Interest on Loans		461	610
Charges relating to Finance Leases		56	67
Total Interest Bearing Liability Costs		517	677
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		517	677
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	21	293	278
Total Other Borrowing Costs		293	278
TOTAL BORROWING COSTS EXPENSED		810	955
(C) MATERIALS & CONTRACTS			
Raw Materials & Consumables		22,515	15,818
Contractor & Consultancy Costs		15,211	20,129
Auditors Remuneration			
- Council's Auditor:			
i. Audit Services		83	44
ii. Other Services		2	13
Legal Expenses – Planning & Development		638	492
Legal Expenses – Other		558	511
Operating Lease Rentals – Minimum Lease Payments ¹		148	150
Total Materials & Contracts		39,155	37,157
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		39,155	37,157
I. Operating Leases are attributable to:			
- Printers		148	150
		148	150

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4

NOTE 4 EXPENSES FROM CONTINUING OPERATIONS continued

\$ '000	Depreciation / Amortisation		Impairment Costs	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
(D) DEPRECIATION, AMORTISATION & IMPAIRMENT				
Plant and Equipment	1,577	1,581	-	-
Office Equipment	354	387	-	-
Furniture & Fittings	224	301	-	-
Property, Plant & Equipment – Leased	569	819	-	-
Land Improvements (depreciable)	23	4	-	-
Buildings – Non Specialised	1,032	1,039	-	-
Buildings – Specialised	199	199	-	-
Other Structures	376	308	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	3,414	3,350	-	-
- Stormwater Drainage	3,289	3,283	-	-
Other Assets				
- Library Books	382	465	-	-
Asset Reinstatement Costs	157	157	-	-
Total Depreciation & Impairment Costs	11,596	11,893	-	-
less: Capitalised Costs	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	11,596	11,893	-	-
\$ '000			Actual 2008	Actual 2007
(E) OTHER EXPENSES				
Advertising			751	610
Bad & Doubtful Debts			24	22
Contributions to Other Levels of Government			5,305	4,407
Donations, Contributions & Assistance to other organisations (Section 356)			321	250
Electricity & Heating			1,003	994
Insurance			768	914
Street Lighting			1,563	1,515
Telephone & Communications			745	792
Administrator's Expenses			213	208
SHOROC Contributions – Operating			64	92
SHOROC Contributions – Sporting Union			597	-
Data Services			246	239
Interest on Bonds and Deposits			10	15
Total Other Expenses			11,610	10,058
less: Capitalised Costs			-	-
TOTAL OTHER EXPENSES			11,610	10,058

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 5 and 6

NOTE 5 GAINS OR LOSSES ON DISPOSAL OF ASSETS

\$ '000	Actual 2008	Actual 2007
PLANT & EQUIPMENT		
Proceeds from Disposal	2,196	1,580
less: Carrying Amount of P&E Assets Sold	(1,608)	(1,500)
Net Gain/(Loss) on Disposal	588	80
FINANCIAL ASSETS		
Proceeds from Disposal	12,485	-
less: Carrying Amount of Financial Assets Sold	(12,485)	-
Net Gain/(Loss) on Disposal	-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	588	80

NOTE 6A CASH ASSETS AND 6B INVESTMENT SECURITIES

\$ '000	Notes	2008 Actual Current	2008 Actual Non Current	2007 Actual Current	2007 Actual Non Current
CASH & CASH EQUIVALENTS (NOTE 6A)					
Cash on Hand and at Bank		11,775	-	8,273	-
Cash-Equivalent Assets ¹					
- Deposits at Call		8,971	-	4,324	-
- Managed Funds		22,193	-	64,541	-
Total Cash & Cash Equivalents		42,939	-	77,138	-
INVESTMENT SECURITIES (NOTE 6B)					
- Long term Deposits		30,000	2,812	-	-
- Bills of Exchange		7,905	-	-	-
- NCD's, FRN's (with Maturities > 3 months)		-	14,876	-	10,110
- Mortgage Backed Securities		-	3,947	-	4,028
Total Investment Securities		37,905	21,635	-	14,138
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		80,844	21,635	77,138	14,138

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	42,939	-	77,138	-
--	--------	---	--------	---

Investments

a. "At Fair Value through the Profit & Loss"					
Designated at fair value on Initial Recognition	6(b-i)	-	18,823	-	14,138
b. "Held to Maturity"	6(b-ii)	37,905	2,812	-	-
INVESTMENTS		37,905	21,635	-	14,138

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6

NOTE 6B INVESTMENTS continued

\$ '000	2008 Actual Current	2008 Actual Non Current	2007 Actual Current	2007 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	-	14,138	-	12,154
Revaluations (through the Income Statement)	-	(235)	-	(16)
Additions	-	16,678	-	2,000
Disposals (sales & redemptions)	-	(11,758)	-	-
Balance at End of Year	-	18,823	-	14,138
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	-	14,876	-	10,110
- Mortgage Backed Securities	-	3,947	-	4,028
Total	-	18,823	-	14,138
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Additions	37,905	3,539	-	-
Disposals (sales & redemptions)	-	(727)	-	-
Balance at End of Year	37,905	2,812	-	-
Comprising:				
- Long term Deposits	30,000	2,812	-	-
- Bills of exchange	7,905	-	-	-
Total	37,905	2,812	-	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6

NOTE 6C RESTRICTED CASH, CASH EQUIVALENTS & INVESTMENTS

\$ '000	2008 Actual Current	2008 Actual Non Current	2007 Actual Current	2007 Actual Non Current
TOTAL CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES	80,844	21,635	77,138	14,138
attributable to:				
External Restrictions (refer below)	23,212	21,635	20,857	14,138
Internal Restrictions (refer below)	41,813	-	39,578	-
Unrestricted	15,819	-	16,703	-
	80,844	21,635	77,138	14,138
2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
DETAILS OF RESTRICTIONS				
External Restrictions – Included in Liabilities				
Nil				
External Restrictions – Other				
Developer Contributions – General (D)	24,709	4,678	(3,464)	25,923
RTA Contributions (E)	323	-	-	323
Specific Purpose Unexpended Grants (F)	1,387	6,650	(772)	7,265
Domestic Waste Management (G)	1,992	7	(33)	1,966
Stormwater Management (G)	2,834	4,175	(2,967)	4,042
Sportsfield Levy (G)	3,451	1,178	(397)	4,232
Infrastructure Levy (G)	260	3,830	(3,079)	1,011
Subdivision and Duffy's Forrest Concur	39	46	-	85
External Restrictions – Other	34,995	20,564	(10,712)	44,847
Total External Restrictions	34,995	20,564	(10,712)	44,847

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

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6

NOTE 6C RESTRICTED CASH, CASH EQUIVALENTS & INVESTMENTS continued

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Glen Street Theatre	937	547	-	1,484
S355 Community Centres (MYOB)	708	-	(151)	557
S355 Community Centres	595	95	(38)	652
Narrabeen Lagoon Entrance	1,040	200	(36)	1,204
St Davids Avenue Park Reserve	120	-	-	120
Community Survey	115	-	(115)	-
Kimbriki Property Acquisition Reserve	298	86	-	384
Revenue Producing Asset Reserve	1,652	-	(200)	1,452
Coastal Open Space Improvements	82	28	-	110
Affordable Housing Reserve	105	-	-	105
Elections Reserve	300	100	-	400
Child Care Parent Fundraising	43	-	(22)	21
Bus Shelter Reserve	20	-	-	20
Community Advisory Committee (CAC)	100	-	-	100
Community Development	1,029	234	-	1,263
Light Vehicle Fleet Reserve	1,071	162	(412)	821
Unexpended Loans	289	-	(15)	274
Insurance Reserve	1,500	-	-	1,500
Carry Forward Reserve	252	1,973	(148)	2,077
Heavy Plant Replacement	1,007	100	(193)	914
Employees Leave Entitlement	2,791	97	-	2,888
Computer Reserve	1,287	800	(1,828)	259
Kimbriki Unrestricted Cash (WCP)	7,442	479	-	7,921
Property Development	2,259	600	(582)	2,277
Freshwater Village Underground Power	278	500	(20)	758
Tennis Courts	69	17	(41)	45
Beach Parking	413	-	-	413
Glen Street Theatre Maintenance	71	125	(78)	118
Loan Repayment (Sinking Fund)	1,325	-	-	1,325
Sports Union Reserve	592	5	(597)	-
Allambie Heights Community Tennis Club	32	-	-	32
Deposits, Retentions & Bonds	5,050	7	-	5,057
LEMC Local Emergency Management Committee	72	-	-	72
Future Committed Capital Works RFS	126	-	-	126
Compulsory Open Space Acquisition Reserve	665	500	-	1,165
Berry Market Reserve	5	-	-	5
Forestville Youth Centre Reserve	16	-	-	16
Netball Courts Reserve	4,000	-	(181)	3,819
Kimbriki Landbank Properties Reserve	216	132	-	348
Stormwater Asset Replacement Reserve	300	-	-	300
Manly Dam Reserve	694	-	-	694
Performance Management System Reserve	101	-	-	101
Long Reef SLSC Renewal Reserve	250	-	-	250
Eramboo Reserve	50	-	-	50
Cultural Events Reserve	3	-	-	3
Recreational Improvements Reserve	208	250	(145)	313
Total Internal Restrictions	39,578	7,037	(4,802)	41,813
TOTAL RESTRICTIONS	74,573	27,601	(15,514)	86,660

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 7

NOTE 7 RECEIVABLES

\$ '000	2008 Current	2008 Non Current	2007 Current	2007 Non Current
Purpose				
Rates & Annual Charges	1,839	286	1,470	256
Interest & Extra Charges	141	180	114	159
User Charges & Fees	5,030	-	3,172	-
Accrued Revenues				
- Interest on Investments	1,082	-	171	-
Government Grants & Subsidies	11	-	187	-
Net GST Receivable	83	-	886	-
Other Debtors	13	-	46	-
Total	8,199	466	6,046	415
less: Provision for Impairment				
Rates & Annual Charges	(6)	-	(4)	-
User Charges & Fees	(221)	-	(228)	-
Total Provision for Impairment – Receivables	(227)	-	(232)	-
TOTAL NET RECEIVABLES	7,972	466	5,814	415
Externally Restricted Receivables				
Domestic Waste Management	271	58	254	56
Other				
- Environmental Stormwater Levy	143	-	117	-
- Sportsfield Rectification Levy	42	-	34	-
- Infrastructure	135	-	110	-
Total External Restrictions	591	58	515	56
Internally Restricted Receivables	-	-	-	-
Unrestricted Receivables	7,381	408	5,299	359
TOTAL NET RECEIVABLES	7,972	466	5,814	415

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 10.00% (2007 9.00%). Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 8

NOTE 8 INVENTORIES AND OTHER ASSETS

\$ '000	2008 Current	2008 Non Current	2007 Current	2007 Non Current
Inventories				
Stores & Materials	93	-	120	-
Trading Stock	20	-	16	-
Total Inventories	113	-	136	-
Other Assets				
Prepayments	601	-	479	-
Total Other Assets	601	-	479	-
TOTAL INVENTORIES & OTHER ASSETS	714	-	615	-
(I) EXTERNALLY RESTRICTED ASSETS				
Water				
Nil				
Sewerage				
Nil				
Domestic Waste Management				
Nil				
Other				
Nil				
Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	714	-	615	-
TOTAL INVENTORIES & OTHER ASSETS	714	-	615	-

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 9

NOTE 9A INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	as at 30/6/2007				Asset Movements during the Reporting Period							as at 30/6/2008			
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions	WDV-Asset Disposals	Deprec. Expense	Adjustments & Transfers	Tfrs from/ (to) "Held for sale" category	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	
\$ '000															
Plant & Equipment	11,807	-	6,335	5,472	3,535	(1,608)	(1,577)	(30)	-	-	-	10,070	4,279	5,791	
Office Equipment	7,210	-	5,979	1,231	2,078	-	(354)	(9)	-	-	-	9,250	6,304	2,946	
Furniture & Fittings	3,437	-	2,080	1,357	37	-	(224)	9	-	-	-	3,513	2,334	1,179	
Plant & Equipment (under Finance Lease)	2,671	-	1,829	842	515	-	(569)	-	-	-	-	1,756	968	788	
Land:															
- Operational	946,605	-	-	946,605	1,935	-	-	(800,017)	(2,771)	4,111	-	149,864	-	149,864	
- Community	1,798,494	-	-	1,798,494	-	-	-	800,017	-	-	2,598,511	-	-	2,598,511	
Land Improvements – depreciable	385	-	27	358	-	-	(23)	1,080	-	-	2,315	-	900	1,415	
Buildings -															
Non Specialised	101,810	-	49,167	52,643	1,319	-	(1,032)	(1,050)	(373)	44,332	-	165,589	69,750	95,839	
Buildings – Specialised	19,904	-	8,357	11,547	152	-	(199)	-	-	5,215	-	28,620	11,905	16,715	
Other Structures	28,002	-	2,046	25,956	2,333	-	(376)	-	-	-	30,093	242	2,421	27,914	
Infrastructure:															
- Roads, Bridges, Footpaths	329,621	-	98,881	230,740	4,806	-	(3,414)	-	-	-	333,320	1,107	102,294	232,133	
- Stormwater Drainage	328,948	-	163,539	165,409	536	-	(3,289)	-	-	-	329,390	95	166,829	162,656	
Other Assets:															
- Library Books	4,876	-	3,565	1,311	509	-	(382)	-	-	-	5,385	-	3,948	1,437	
- Other	975	-	975	-	-	-	-	-	-	-	975	-	975	-	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 21):															
- Tip Asset	4,730	-	478	4,252	-	-	(157)	-	-	-	4,730	-	636	4,094	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,589,475	-	343,258	3,246,217	17,755	(1,608)	(11,596)	-	(3,144)	53,658	3,304,719	370,106	373,543	3,301,282	

Asset Acquisitions were Apportioned Between	New Assets	7,405
	Renewals	10,350
	<u>Total Additions</u>	<u>17,755</u>

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 9 and Note 10

NOTE 9B INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT THAT IS EXTERNALLY RESTRICTED

\$ '000 Class of Asset	Actual 2008				Actual 2007			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
- 35.5% Kimbriki Tip Land	-	4,476	-	4,476	2,868	-	-	2,868
Total DWM	-	4,476	-	4,476	2,868	-	-	2,868
Other Restricted Assets								
- 64.5% Kimbriki Tip Land	-	8,133	-	8,133	5,210	-	-	5,210
- Non-Cash S94 Contribution	-	716	-	716	419	-	-	419
Total Other Restrictions	-	8,849	-	8,849	5,629	-	-	5,629
TOTAL RESTRICTED I,PP&E	-	13,325	-	13,325	8,497	-	-	8,497

NOTE 9C INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT GAINS / (LOSSES) ARISING FROM THE IMPAIRMENT OF ASSETS

Council did not recognise or reverse any impairment losses during the financial year.

NOTE 10A PAYABLES, BORROWINGS AND PROVISIONS

\$ '000	Notes	2008 Current	2008 Non Current	2007 Current	2007 Non Current
PAYABLES					
Goods & Services - Operating		9,504	-	5,304	-
Payments Received In Advance		1,627	-	1,487	-
Accrued Expenses;					
- Borrowings		67	-	89	-
- Interest on Bonds & Deposits		31	-	30	-
- Kimbriki		41	-	239	-
- Glen Street Theatre		-	-	16	-
Security Bonds, Deposits & Retentions		5,392	-	5,050	-
Due to other Councils - Kimbriki Distribution		478	-	478	-
Other		92	-	140	-
Total Payables		17,232	-	12,833	-
BORROWINGS					
Loans - Secured ¹		917	5,374	868	6,289
Finance Lease Liabilities		491	491	615	475
Total Interest Bearing Liabilities		1,408	5,865	1,483	6,764
PROVISIONS					
Annual Leave		2,968	-	2,702	-
Sick Leave		440	-	510	-
Long Service Leave		5,067	564	5,216	613
Gratuities		49	-	64	-
Sub Total - Aggregate Employee Benefits		8,524	564	8,492	613
Self Insurance - Claims Incurred		460	1,210	373	1,246
Asset Remediation/Restoration (Future Works)	21	-	5,815	-	5,523
Total Provisions		8,984	7,589	8,865	7,382
TOTAL PAYABLES, INTEREST BEARING LIABILITIES & PROVISIONS		27,624	13,454	23,181	14,146

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 10

NOTE 10A PAYABLES, BORROWINGS AND PROVISIONS continued

\$ '000	2008 Current	2008 Non Current	2007 Current	2007 Non Current
(I) LIABILITIES RELATING TO RESTRICTED ASSETS				
Externally Restricted Assets				
Domestic Waste Management	313	-	-	-
Sportsfield	193	-	-	-
ESSR	231	-	-	-
Infrastructure	31	-	-	-
Liabilities relating to externally restricted assets	768	-	-	-
Internally Restricted Assets				
Security Bonds, Deposits & Retentions	5,056	-	5,050	-
Employee Leave Entitlements	2,888	-	2,791	-
Self Insurance Claims - Reserve	460	1,040	373	1,127
Liabilities relating to internally restricted assets	8,404	1,040	8,214	1,127
Total Liabilities relating to restricted assets	9,172	1,040	8,214	1,127

¹ Loans are secured over the General Rating Income of Council
Disclosures on Liability Interest Rate Risk Exposures, Fair Value
Disclosures & Security can be found in Note 15.

(II) CURRENT LIABILITIES NOT ANTICIPATED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

	2008	2007
Provisions - Employees Benefits	4,708	4,476
Security Bonds, Deposits & Retentions	3,650	3,572
Total Liabilities not anticipated to be settled within the next 12 months	8,358	8,048

NOTE 10B DESCRIPTION OF AND MOVEMENTS IN PROVISIONS

\$ '000	2007				2008	
	Opening Balance as at 1/07/07	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/06/08
Annual Leave	2,702	2,929	(2,663)	-	-	2,968
Sick Leave	510	6	(76)	-	-	440
Long Service Leave	5,829	1,190	(1,388)	-	-	5,631
Gratuities	64	(15)	-	-	-	49
Self Insurance	1,619	51	-	-	-	1,670
Asset Remediation	5,523	(1)	-	293	-	5,815
TOTAL	16,247	4,160	(4,127)	293	-	16,573

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 11

NOTE 11 CASH FLOW STATEMENT – ADDITIONAL INFORMATION

\$ '000	Notes	Actual 2008	Actual 2007
(A) RECONCILIATION OF CASH ASSETS			
Total Cash & Cash Equivalent Assets	6a	42,939	77,138
Less Bank Overdraft	10	-	-
BALANCES as per CASH FLOW STATEMENT		42,939	77,138
(B) RECONCILIATION OF NET OPERATING RESULT TO CASH PROVIDED FROM OPERATING ACTIVITIES			
Net Operating Result from Income Statement		14,442	11,697
Adjust for non cash items:			
Depreciation & Amortisation		11,596	11,893
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L			
- Investments classified as "@ Fair Value" or "Held for Trading"		235	16
- Investment Properties		(25)	(265)
Unwinding of Discount Rates on Reinstatement Provisions		293	278
Net Losses/(Gains) on Disposal of Assets		(588)	(80)
Non Cash Capital Grants and Contributions		(200)	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		303	411
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(2,204)	(1,349)
Increase/(Decrease) in Provision for Doubtful Debts		(5)	(71)
Decrease/(Increase) in Inventories		23	19
Decrease/(Increase) in Other Current Assets		(122)	50
Increase/(Decrease) in Payables		4,200	(1,099)
Increase/(Decrease) in accrued Interest Payable		(22)	-
Increase/(Decrease) in other accrued Expenses Payable		(198)	-
Increase/(Decrease) in Other Current Liabilities		419	-
Increase/(Decrease) in Employee Leave Entitlements		(17)	(563)
Increase/(Decrease) in Other Provisions		50	(38)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		28,180	20,899

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 11

NOTE 11 CASH FLOW STATEMENT – ADDITIONAL INFORMATION continued

\$ '000	Notes	Actual 2008	Actual 2007
(C) NON-CASH INVESTING & FINANCING ACTIVITIES			
Land		200	-
Total Non-Cash Investing & Financing Activities		200	-
(D) FINANCING ARRANGEMENTS			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ¹		500	500
Credit Cards / Purchase Cards		155	120
Bank Guarantee for possible Workers Compensation Claims		2,000	2,000
Total Financing Arrangements		2,655	2,620

¹ The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

(E) NET CASH FLOWS ATTRIBUTABLE TO DISCONTINUED OPERATIONS

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12

NOTE 12 COMMITMENTS FOR EXPENDITURE

\$ '000	Notes	Actual 2008	Actual 2007
(A) CAPITAL COMMITMENTS (EXCLUSIVE OF GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Land		-	790
Infrastructure		748	500
Drainage		100	-
Total Commitments		848	1,290
These expenditures are payable as follows:			
Within the next year		848	1,290
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		848	1,290
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		100	1,290
Internally Restricted Reserves		748	-
Total Sources of Funding		848	1,290
(B) OTHER EXPENDITURE COMMITMENTS (EXCLUSIVE OF GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		5,436	4,914
Audit Services		394	49
Other		6,941	13,483
Total Commitments		12,771	18,446
These expenditures are payable as follows:			
Within the next year		10,346	(3,564)
Later than one year and not later than 5 years		2,425	22,010
Later than 5 years		-	-
Total Payable		12,771	18,446

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12

NOTE 12 COMMITMENTS FOR EXPENDITURE continued

\$ '000	Notes	Actual 2008	Actual 2007
(C) FINANCE LEASE COMMITMENTS			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		549	669
Later than one year and not later than 5 years		524	502
Later than 5 years		-	-
Total Minimum Lease Payments		1,073	1,171
less: Future Finance Charges		(91)	(81)
Amount Recognised as a Liability		982	1,090
(ii) Finance Lease Liability Recognised represent;			
Current Liabilities		491	615
Non-Current Liabilities		491	475
Total Finance Lease Liabilities Disclosed		982	1,090
(iii) General Details			
Council Leases the following Property, Plant & Equipment under Finance Leases:	Term (Years)	Option to Purchase	Contingent Rent Clauses
Computers - Carrying Value	3	Yes	No
Total Carrying Value at Year End			
		788	842
(D) OPERATING LEASE COMMITMENTS (NON CANCELLABLE)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		147	136
Later than one year and not later than 5 years		52	129
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		199	265
b. Non Cancellable Operating Leases include the following assets:			
Printers			
Conditions relating to Finance & Operating Leases:			
- All Finances and Operating Lease Agreement are secured only against the Leased Asset.			
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.			
(E) INVESTMENT PROPERTY COMMITMENTS			
Nil			
(F) REMUNERATION COMMITMENTS			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		3,971	3,882
Later than one year and not later than 5 years		7,633	7,952
Later than 5 years		-	-
Total Payable		11,604	11,834
(G) INVESTMENT IN ASSOCIATES / JOINT VENTURES – COMMITMENTS			
For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)			

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 13

NOTE 13 STATEMENT OF PERFORMANCE

\$ '000	Amounts 2008	Indicator 2008	Prior Period 2007	Prior Period 2006
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	68,871	3.72 : 1	4.11	3.52
Current Liabilities less Specific Purpose Liabilities ^(2,3)	18,498			
2. Debt Service Ratio				
Debt Service Cost	2,006	0.019	0.034	0.022
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	107,902			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	68,274	0.55	0.58	0.58
Revenue from Continuing Operations	123,441			
4a. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,440	3.46%	2.92%	4.08%
Rates, Annual & Extra Charges Collectible	70,555			
4b. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage *)				
Rates, Annual & Extra Charges Outstanding	1,792	2.54%	2.31%	3.00%
Rates, Annual & Extra Charges Collectible	70,555			
*) It is Council's policy not to pursue pensioners. This calculation is used to demonstrate to users the effect of actively pursuing outstanding amounts from pensioners.				
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	5,174	0.65	n/a	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	7,934			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) – excludes all ELE not expected to be paid in the next 12 months.

⁽⁴⁾ Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 14

NOTE 14 INVESTMENT PROPERTIES

\$ '000	Notes	Actual 2008	Actual 2007
(A) INVESTMENT PROPERTIES AT FAIR VALUE			
INVESTMENT PROPERTIES ON HAND		2,200	2,175
Reconciliation of Annual Movement:			
Opening Balance		2,175	1,910
- Net Gain/Loss from Fair value Adjustments		25	265
CLOSING BALANCE – INVESTMENT PROPERTIES		2,200	2,175
(B) VALUATION BASIS			
The basis of Valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2008 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd., Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.			
(C) CONTRACTUAL OBLIGATIONS AT REPORTING DATE			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(D) LEASING ARRANGEMENTS			
Details of leased Investment Properties are as follows:			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		144	158
Later than 1 year but less than 5 years		128	273
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		272	431
(E) INVESTMENT PROPERTY INCOME AND EXPENDITURE – SUMMARY			
Rental Income from Investment Properties:			
- Minimum Lease Payments		157	151
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(11)	(23)
Net Revenue Contribution from Investment Properties		146	128
plus:			
Fair Value Movement for year		25	265
Total Income attributable to Investment Properties		171	393

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15

NOTE 15 FINANCIAL RISK MANAGEMENT

\$ '000

RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk.

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

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

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

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

	Carrying Value		Fair Value	
	2008	2007	2008	2007
Financial Assets				
Cash and Cash Equivalents	42,939	77,138	42,939	77,138
Investments				
- "Designated at Fair value on Initial Recognition"	18,823	14,138	18,823	14,138
- "Held to Maturity"	40,717	-	40,717	-
Receivables	8,438	6,229	8,438	6,229
Total Financial Assets	110,917	97,505	110,917	97,505
Financial Liabilities				
Payables	15,605	11,346	15,605	11,346
Loans / Advances	6,291	7,157	6,291	7,157
Lease Liabilities	982	1,090	982	1,090
Total Financial Liabilities	22,878	19,593	22,878	19,593

Fair Value is determined as follows:

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15

NOTE 15 FINANCIAL RISK MANAGEMENT continued

\$ '000

(A) CASH & CASH EQUIVALENTS, FINANCIAL ASSETS "AT FAIR VALUE THROUGH THE PROFIT & LOSS", "AVAILABLE-FOR-SALE" FINANCIAL ASSETS & "HELD-TO-MATURITY" INVESTMENTS

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

Council's Financial Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk – the risk that the counterparty (to an investment)

will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2008				
Impact of a 10% movement in Market Values	1,882	1,882	(1,882)	(1,882)
Impact of a 1% movement in Interest Rates	1,025	1,025	(1,025)	(1,025)
2007				
Impact of a 10% movement in Market Values	1,414	1,414	(1,414)	(1,414)
Impact of a 1% movement in Interest Rates	913	913	(913)	(913)

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15

NOTE 15 FINANCIAL RISK MANAGEMENT continued

\$ '000

(B) RECEIVABLES

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	Increase of Values/Rates		Decrease of Values/Rates	
	2008 Rates & Annual Charges	2008 Other Receivables	2007 Rates & Annual Charges	2007 Other Receivables
(i) Aging of Receivables				
Current (not yet overdue)	-	6,540	-	4,735
Past due	2,125	-	1,726	-
	2,125	6,540	1,726	4,735
(ii) Movement in Provision for Impairment of Receivables			2008	2007
Balance at the beginning of the year			232	303
+ new provisions recognised during the year			24	22
- amounts already provided for & written off this year			(29)	(93)
Balance at the end of the year			227	232

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 15

NOTE 15 FINANCIAL RISK MANAGEMENT continued

\$ '000

(C) PAYABLES & BORROWINGS

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

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

As well, payment terms can (in extenuating circumstances) be extended and overdraft facilities can be drawn down.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2008									
Trade/Other Payables	5,392	10,546	-	-	-	-	-	15,938	15,605
Loans & Advances	-	1,332	1,324	4,316	388	-	-	7,360	6,291
Lease Liabilities	-	549	366	158	-	-	-	1,073	982
Total Financial Liabilities	5,392	12,427	1,690	4,474	388	-	-	24,371	22,878
2007									
Trade/Other Payables	5,050	6,296	-	-	-	-	-	11,346	11,346
Loans & Advances	-	1,343	1,332	1,324	4,316	388	-	8,703	7,157
Lease Liabilities	-	669	334	167	1	-	-	1,171	1,090
Total Financial Liabilities	5,050	8,308	1,666	1,491	4,317	388	-	21,220	19,593

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

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
The following interest rates were applicable to Council's Borrowings at balance date:				
Trade/Other Payables	15,605	0.0%	11,346	0.0%
Loans & Advances - Fixed Interest Rate	3,479	7.8%	3,618	7.8%
Loans & Advances - Variable Interest Rate	2,812	9.5%	3,539	8.5%
Lease Liabilities	982	9.3%	1,090	7.4%
	22,878		19,593	

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 16

NOTE 16 MATERIAL BUDGET VARIATIONS

\$ '000

Council's Original Financial Budget for 07/08 was incorporated as part of its Management Plan and was adopted by the Council on 27 June 2007.

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

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

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

Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
REVENUES					
Rates & Annual Charges	68,631	68,274	(357)	(0.5%)	U
User Charges & Fees	24,397	24,083	(314)	(1%)	U
Interest & Investment Revenue	5,033	4,655	(378)	(8%)	U
Interest receipts are affected by the level of Developer Contributions received, collection of rates debtors and unfavourable changes in short-term interest rates.					
Other Revenues	6,557	6,032	(525)	(8%)	U
Operating Grants & Contributions	7,003	9,117	2,114	30%	F
The actual amount of Grants received depends on decisions made by State & Federal governments after the original budget was adopted. Favourable variance includes underbudgeted Section 94 Receipts and unbudgeted Natural Environment grants and contributions received in the period.					
Capital Grants & Contributions	4,922	10,692	5,770	117%	F
Brookvale Oval unbudgeted \$6M State Grant for redevelopment.					
Net Gains from Disposal of Assets	-	588	588	0%	F
Sale of Plant is not budgeted for at start of year.					
EXPENSES					
Employee Benefits & On-Costs	44,077	45,525	(1,448)	(3%)	U
Borrowing Costs	452	810	(358)	(79%)	U
Discount adjustments relating to Kimbriki tip remediation liability of 293K unbudgeted.					
Materials & Contracts	34,713	39,155	(4,442)	(13%)	U
Council's budget is based on a "normal" mix of self-constructed and contracted works. The process of calling and accepting tenders during the year can effect substantial changes in this mix, resulting in significant budget variations in this item.					
Depreciation & Amortisation	11,922	11,596	326	3%	F
Other Expenses	17,531	11,610	5,921	34%	F
Underbudgeted EPA Levy charges in and unbudgeted Administration Charges in Kimbriki operations are offset by savings in Works Maintenance costs. The actual charges for many of the 'Other Operating Expenses' are shown under 'Materials & Contracts'.					
Share of Net Losses - Joint Ventures & Associates	-	303	(303)	0%	U
Net Losses or Gains on Joint Ventures & Associates is not budgeted for at start of year.					

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17

NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in use by their nature and must be spent for the specific purposes raised.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Year.	Exp. during Year	Internal Borrowing (to)/from	Held as restricted Asset	Projections		Over or (under) Funding
		Cash	Non Cash					Future Income	Exp still outstanding	
Drainage	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	1,273	111	-	20	(75)	(949)	380	-	(380)	-
Parking	4,918	-	-	226	-	(214)	4,930	-	(4,930)	-
Open Space	6,064	1,566	-	266	(1,971)	(312)	5,613	-	(5,613)	-
Community Facilities	9,449	242	-	338	(122)	(2,623)	7,284	-	(7,284)	-
Other	2,727	96	-	92	-	(906)	2,009	-	(2,009)	-
S94 Contributions - under a Plan	24,431	2,015	-	942	(2,168)	(5,004)	20,216	-	(20,216)	-
S94A Levies - under a Plan	11	1,462	-	254	(1,296)	5,004	5,435	10,000	(15,435)	-
Total S94 Revenue Under Plans	24,442	3,477	-	1,196	(3,464)	-	25,651	10,000	(35,651)	-
S94 not under Plans	686	-	296	5	-	-	987	-	(987)	-
Total Contributions	25,128	3,477	296	1,201	(3,464)	-	26,638	10,000	(36,638)	-
Less Land	(419)	-	(296)	-	-	-	(715)	-	-	-
Total Cash Contributions	24,709	3,477	-	1,201	(3,464)	-	25,923	10,000	(36,638)	-

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17

NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS continued

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - PRE 2001 PLAN

PURPOSE	Opening Balance	Received during Year		Interest earned in Year.	Exp. during Year	Internal Borrowing (to)/from	Held as restricted Asset	Projections		Over or (under) Funding
		Cash	Non Cash					Future Income	Exp still outstanding	
Traffic Facilities	105	-	-	-	-	(105)	-	-	-	-
Parking	307	-	-	15	-	2	324	-	(324)	-
Open Space	378	-	-	13	(3)	(102)	286	-	(286)	-
Community Facilities	895	-	-	32	-	(232)	695	-	(695)	-
Other	23	-	-	-	-	(23)	-	-	-	-
Total	1,708	-	-	60	(3)	(460)	1,305	-	(1,305)	-

CONTRIBUTION PLAN - 2001 PLAN

PURPOSE	Opening Balance	Received during Year		Interest earned in Year.	Exp. during Year	Internal Borrowing (to)/from	Held as restricted Asset	Projections		Over or (under) Funding
		Cash	Non Cash					Future Income	Exp still outstanding	
Traffic Facilities	1,168	111	-	20	(75)	(844)	380	-	(380)	-
Parking	4,611	-	-	211	-	(216)	4,606	-	(4,606)	-
Open Space	5,686	1,565	-	253	(1,968)	(210)	5,326	-	(5,326)	-
Community Facilities	8,554	242	-	306	(122)	(2,391)	6,589	-	(6,589)	-
Other	2,704	96	-	92	-	(883)	2,009	-	(2,009)	-
Total	22,723	2,014	-	882	(2,165)	(4,544)	18,910	-	(18,910)	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening Balance	Received during Year		Interest earned in Year.	Exp. during Year	Internal Borrowing (to)/from	Held as restricted Asset	Projections		Over or (under) Funding
		Cash	Non Cash					Future Income	Exp still outstanding	
Other	11	1,462	-	254	(1,296)	5,004	5,435	10,000	(15,435)	-
Total	11	1,462	-	254	(1,296)	5,004	5,435	10,000	(15,435)	-

S94A LEVIES - NOT UNDER A PLAN

PURPOSE	Opening Balance	Received during Year		Interest earned in Year.	Exp. during Year	Internal Borrowing (to)/from	Held as restricted Asset	Projections		Over or (under) Funding
		Cash	Non Cash					Future Income	Exp still outstanding	
Drainage	34	-	-	2	-	-	36	-	(36)	-
Parking	71	-	-	3	-	-	74	-	(74)	-
Child Care Reserve- Austlink	162	-	-	-	-	-	162	-	(162)	-
Land	419	-	296	-	-	-	715	-	(715)	-
Total	686	-	296	5	-	-	987	-	(987)	-

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 18

NOTE 18 CONTINGENCIES & OTHER ASSETS/LIABILITIES NOT RECOGNISED

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(ii) WorkCover

Council has provided a \$2 million guarantee to WorkCover as a provision for all known liabilities disclosed in an Actuarial Report prepared by David Zaman Pty Ltd as at 6 July 2008.

(iii) Other Guarantees

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

2. Other Liabilities

(i) Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities

accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims.

Other potential claims not reported to Council may have existed at reporting date.

(ii) S94 Plans

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

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

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receiving funds in future years.

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

Council is currently negotiating to acquire the final property within the adopted Developer Contributions Plan but had not entered into contracts as at 30 June 2008.

(iii) Legal Expenses

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

At the date of these reports, Council had notice of ten (10) appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Council is involved in a matter in the Supreme Court which may cost Council in excess of \$100,000. Council is also involved in other civil liability proceedings and Local Court prosecutions. Whilst these matters are unlikely to cost Council in excess of \$100,000 individually, the amount of further costs cannot be known until these proceedings are concluded.

(iv) Capital Expenditure

In addition to those capital commitments disclosed in Note 12 to these statements, the Strategic Community Plan 2008 adopted by Council on 24 June 2008 provides for additional capital expenditure. The significant items, but at reporting date were not committed are:

RFS Headquarters

budgeted at \$1,430,000
(Source of funding: General Revenue)

Road Re-sheeting Program

budgeted at \$3,023,691
(Source of funding: Infrastructure Levy, Grants & General Revenue)

Freshwater Village

budgeted at \$3,112,000
(Source of funding: Infrastructure Levy, Section 94 & General Revenue)

Netball, Curl Curl

budgeted at \$3,800,000
(Source of funding: General Revenue)

Brookvale Oval Stage 1

budgeted at \$1,000,000
(Source of funding: General Revenue)

Weldon Ave Reserve

budgeted at \$1,750,000
(Source of funding: Sportsfield Levy)

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 18

Stormwater Programme

budgeted at \$1,645,000

(Source of funding: ESSR & Infrastructure Levy)

(v) Property Disposals

The Minister for Planning has recently classified a number of Council owned properties and these sites may be considered for sale.

ASSETS NOT RECOGNISED:

(i) Infringement Notices/Fines

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

Council's Revenue Recognition policy for such income is to account for it as revenue on receipt.

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

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

(ii) Defined Benefit

Superannuation Contribution Plans

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

The Fund Secretary recommended the following statement:

"The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119. Sufficient information is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all Councils."

"The amount of employer contributions recognised as an expense for the year ending 30 June 2008 was \$454,492.20."

"The last valuation of the Scheme was performed by Mr Martin Stevenson, BSc, FIA, FIAA, on 19 June 2007 and covers the period ended 30 June 2006. This valuation found that the Scheme's assets were \$3,291.1 million and its past liabilities \$2,980.3 million, giving it a surplus of \$310.8 million. The existence of this surplus has resulted in Councils contributing in 2007/2008 at half the normal level of contributions. The financial position is monitored annually and as a result of subsequent investment market conditions Councils will be required to contribute at the full 'notional' contribution rate from 1 July 2008."

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Accordingly, contributions made to the defined benefit scheme are recognised as an expense when they become payable – similar to accounting for a defined contributions plan.

(iii) Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets.

At present, the transitional period for deferral of recognition ends on 1 July 2008.

(iv) Building Commencements

There are two hundred and fifty eight (258) current construction certificates on hand awaiting collection.

There is still building activity that may have commenced without proper approval and payment of appropriate fees. However, the number has dropped significantly due to ongoing investigations and monthly audits that were implemented to monitor the possibility of further unlawful works.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 19

NOTE 19 CONTROLLED ENTITIES, ASSOCIATED ENTITIES & INTERESTS IN JOINT VENTURES

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Subsidiaries

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

Note 19(a)

Associated Entities & Joint Venture Entities

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

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them), whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants.

Note 19(c)

Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Associated Entities	-	-	-	-
Joint Venture Entities	(303)	(411)	878	772
Total	(303)	(411)	878	772

19A SUBSIDIARIES (IE. ENTITIES & OPERATIONS CONTROLLED BY COUNCIL)

These consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 127 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity	Equity Holding		Output Holding	
		2008	2007	2008	2007
Kimbriki Recycling & Waste Disposal Centre	Recycling & Waste Disposal	46.5%	47.8%	46.1%	44.1%

Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary	
Opening Equity Balance	7,510	Assets	10,759
New Capital Contributions	-	Liabilities	(1,858)
Operating Result	1,391	Net Equity	8,901
Adjustment to Equity Share	-	Revenues	13,162
Distributions Paid	-	Net Profit	1,391
Closing Equity Balance	8,901	Minority Interest Share	847
Minority Interest Share	4,765		

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 19

NOTE 19 CONTROLLED ENTITIES, ASSOCIATED ENTITIES & INTERESTS IN JOINT VENTURES

\$ '000

19B ASSOCIATED ENTITIES & JOINT VENTURE ENTITIES

(i) Associated Entities

Council has no interest in any Associated Entities

(ii) Joint Venture Entities

(a) Carrying Amounts

Name of Entity	Principal Activity	2008	2007
Warringah Pittwater Rural Fire Service	Rural Fire Fighting	878	772
Total Carrying Amounts - Joint Venture Entities		878	772

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2008	2007	2008	2007	2008	2007
	50%	50%	50%	50%	50%	50%

(c) Movement in Carrying Amounts

	Warringah Pittwater Rural Fire Service	
	2008	2007
Opening Balance	772	774
Share in Operating Result	(303)	(411)
New Capital Contribution	409	409
Councils Equity Share in the Joint Venture	878	772

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2008					
Warringah Pittwater Rural Fire Service	688	190	-	-	878
Totals	688	190	-	-	878
2007					
Warringah Pittwater Rural Fire Service	557	215	-	-	772
Totals	557	215	-	-	772

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

	2008			2007		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Warringah Pittwater Rural Fire Service	301	604	(303)	172	583	(411)
Totals	301	604	(303)	172	583	(411)

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 19

NOTE 19 CONTROLLED ENTITIES, ASSOCIATED ENTITIES & INTERESTS IN JOINT VENTURES

\$ '000

19B ASSOCIATED ENTITIES & JOINT VENTURE ENTITIES continued

(f) Share of Joint Venture Entities Expenditure Commitments

	2008	2007
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

(g) Contingent Liabilities of Joint Venture Entities

	2008	2007
Share of Contingent Liabilities incurred jointly with other Participants	-	-
Share of Contingent Liabilities for which Council is severally liable	-	-

19C JOINT VENTURE OPERATIONS

Council has no interest in any Joint Venture Operations.

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 20

NOTE 20 EQUITY – RETAINED EARNINGS AND REVALUATION RESERVES

\$ '000	Notes	Actual 2008	Actual 2007
(A) RETAINED EARNINGS			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		3,306,039	3,295,384
a. Correction of Prior Period Errors		-	-
b. Changes in Accounting Policies (Prior Period Effects)		-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions			
d. Net Operating Result for the Year		13,595	10,655
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
BALANCE AT END OF THE REPORTING PERIOD		3,319,634	3,306,039
(B) RESERVES			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Reserve		53,658	-
Total		53,658	-
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Reserve			
- Opening Balance		-	-
- Revaluations for the year	9(a)	53,658	-
- Balance at End of Year		53,658	-
TOTAL VALUE OF RESERVES		53,658	-

(iii). Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

(C) CORRECTION OF ERROR/S RELATING TO A PREVIOUS REPORTING PERIOD

Council made no correction of errors during the current reporting period.

(D) VOLUNTARY CHANGES IN ACCOUNTING POLICIES

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

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 21 and 22

NOTE 21 REINSTATEMENT, REHABILITATION & RESTORATION LIABILITIES

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations;

Asset / Operation	Estimated year of restoration	Notes	NPV of Provision	
			2008	2007
Recycling Tip	2030		5,815	5,523
Balance at End of the Reporting Period		10	5,815	5,523

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year		5,523	5,245
Amortisation of discount (expensed to borrowing costs)		293	278
Total - Reinstatement, rehabilitation and restoration provision		5,816	5,523

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

NOTE 22 NON CURRENT ASSETS/LIABILITIES CLASSIFIED AS "HELD FOR SALE"

\$ '000	2008	2008	2007	2007
	Current	Non Current	Current	Non Current
(I) NON CURRENT ASSETS & DISPOSAL GROUP ASSETS				
Non Current Assets "Held for Sale"				
Land	2,771	-	-	-
Buildings	373	-	-	-
Total Non Current Assets "Held for Sale"	3,144	-	-	-
Disposal Group Assets "Held for Sale"				
None				
TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	3,144	-	-	-
(II) DISPOSAL GROUP LIABILITIES				
Disposal Group Related Liabilities "Held for Sale"				
Nil				
(III) RECONCILIATION OF NON CURRENT ASSETS "HELD FOR SALE" & DISPOSAL GROUPS				
- I.E. DISCONTINUED OPERATIONS				
Opening Balance plus New Transfer in:				
Assets "Held for Sale"	-	-	-	-
Assets "Held for Sale"	3,144	-	-	-
Closing Balance of "Held for Sale"	3,144	-	-	-
Non Current Assets & Operations	3,144	-	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 23-25

NOTE 23 EVENTS OCCURRING AFTER BALANCE SHEET DATE

\$ '000

Events that occur after the reporting date of 30 June 2008, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 29/09/08.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2008.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2008 and which are only indicative of conditions that arose after 30 June 2008.

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

NOTE 24 DISCONTINUED OPERATIONS

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

NOTE 25 INTANGIBLE ASSETS

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

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

INDEPENDENT AUDITORS' REPORT

for the financial year ended 30 June 2008

General Purpose Financial Report

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying general purpose financial report of Warringah Council, which comprises the Balance Sheet as at 30 June 2008, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's 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; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that we have become aware of during the course of the audit.

SPENCER STEER

Chartered Accountants



G.V. STEER

Partner

Dated at Sydney this 29th day of September 2008

INDEPENDENT AUDITORS' REPORT

for the financial year ended 30 June 2008

General Purpose Financial Report

29 September 2008

The Mayor

Warringah Council

Pittwater Road

DEE WHY NSW 2099

Dear Sir,

AUDIT REPORT - YEAR ENDED 30 JUNE 2008

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2008 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

I. Results for the year

I.1 Operating Result

The operating result for the year was a Surplus of \$13.595 million as compared with \$10.655 million in the previous year.

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2008	% of Total	2007	% of Total	Inc (Dec)
	\$000	\$000	\$000	\$000	\$000
Revenues before capital items					
Rates & annual charges	68,274	61%	65,639	60%	2,635
User charges, fees & other revenues	30,703	27%	28,304	26%	2,399
Grants & contributions provided for operating purposes	9,117	8%	9,691	9%	(574)
Interest & investment revenue	4,655	4%	6,427	6%	(1,772)
	112,749	100%	110,061	100%	2,688
Expenses					
Employee benefits & costs	45,525	42%	40,326	40%	5,199
Materials, contracts & other expenses	51,068	47%	47,626	47%	3,442
Depreciation, amortisation & impairment	11,596	11%	11,893	12%	(297)
Borrowing costs	810	1%	955	1%	(145)
	108,999	100%	100,800	100%	8,199
Surplus before capital items	\$3,750		\$9,261		\$(5,511)
Grants & contributions provided for capital purposes	10,692		2,436		8,256
Surplus before minority interests	\$14,442		\$11,697		\$2,745
Attributable to Minority Interests	(847)		(1,042)		195
Net surplus (Deficit) for the year	\$13,595		\$10,655		\$2,940

INDEPENDENT AUDITORS' REPORT

for the financial year ended 30 June 2008

General Purpose Financial Report

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

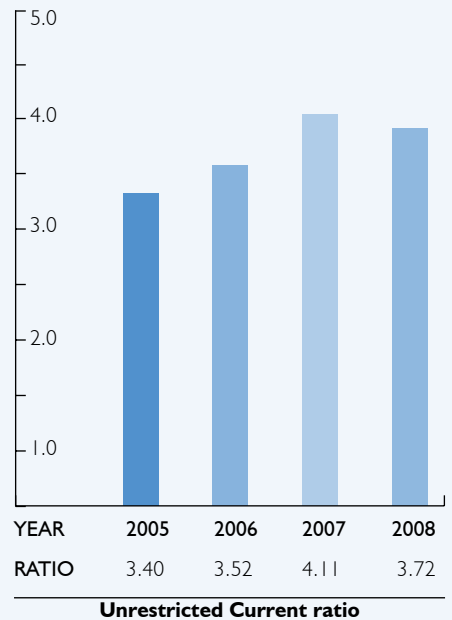
	2008	2007
	\$000	\$000
Funds were provided by:		
Operating result (as above)	13,595	10,655
Add back non funding items:		
- Depreciation, amortisation & impairment	11,596	11,893
- Book value of non current assets sold	1,608	1,500
- (Gain) Loss of fair value to investment properties	(25)	(265)
- (Surplus) Deficit in joint ventures	303	411
	27,077	24,194
Finance Leases	515	679
Transfers from externally restricted assets (net)	0	3,497
Increase in minority interests	847	564
Net changes in current/non current assets & liabilities	3,761	0
	32,200	28,934
Funds were applied to:		
Purchase & construction of assets	(17,755)	(19,986)
Increase/purchase in non current investments	(7,497)	(1,984)
Principal repaid on loans	(866)	(2,177)
Finance lease instalments	(623)	(712)
Transfers to external restricted assets (net)	(1,663)	0
Transfers to internal reserves (net)	(2,235)	(3,705)
Capital contributions to joint ventures	(409)	(409)
Net charges in current/non current assets & liabilities	0	(372)
	(31,048)	(29,345)
Increase/(decrease) in available working capital	1,152	(411)

2 Financial Position

2.1 Unrestricted Current Ratios

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$50.373 million representing a factor of 3.72 to 1.



2.2 Available Working Capital (Working funds)

At the close of the year the Available Working Capital of Council stood at \$15.986 million as detailed below;

	2008	2007	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per accounts	65,050	60,386	4,664
Add: payables & provisions not expected to be realised in the next 12 months included above	8,358	8,048	310
Adjusted net current assets	73,408	68,434	4,974
Add: budget expected to pay in the next 12 months			
- Borrowings	1,408	1,483	(75)
- Employees leave entitlements	3,816	4,016	(200)
- Self insurance claims	460	373	87
- Deposits & retention moneys	1,742	1,478	264
Less: Externally restricted assets	(23,035)	(21,372)	(1,663)
Less: Internally restricted assets	(41,813)	(39,578)	(2,)
Available Working Capital as at 30 June	\$15,986	\$14,834	\$1,152

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

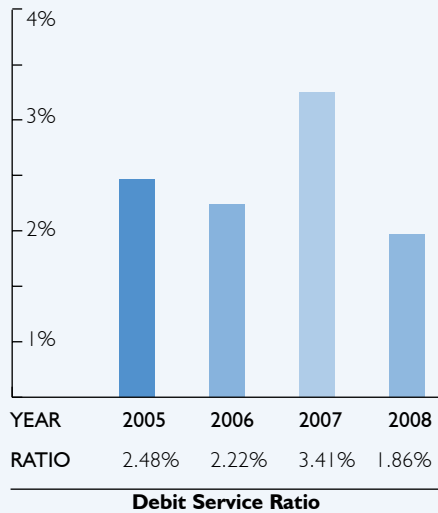
INDEPENDENT AUDITORS' REPORT

for the financial year ended 30 June 2008

General Purpose Financial Report

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.86%.



2.4 Summary

Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3 Cash Assets

3.1 Cash & Investment Securities

Cash and investments amounted \$102.479 million at 30 June 2008 as compared with \$91.276 million in 2007 and \$91.858 million in 2006.

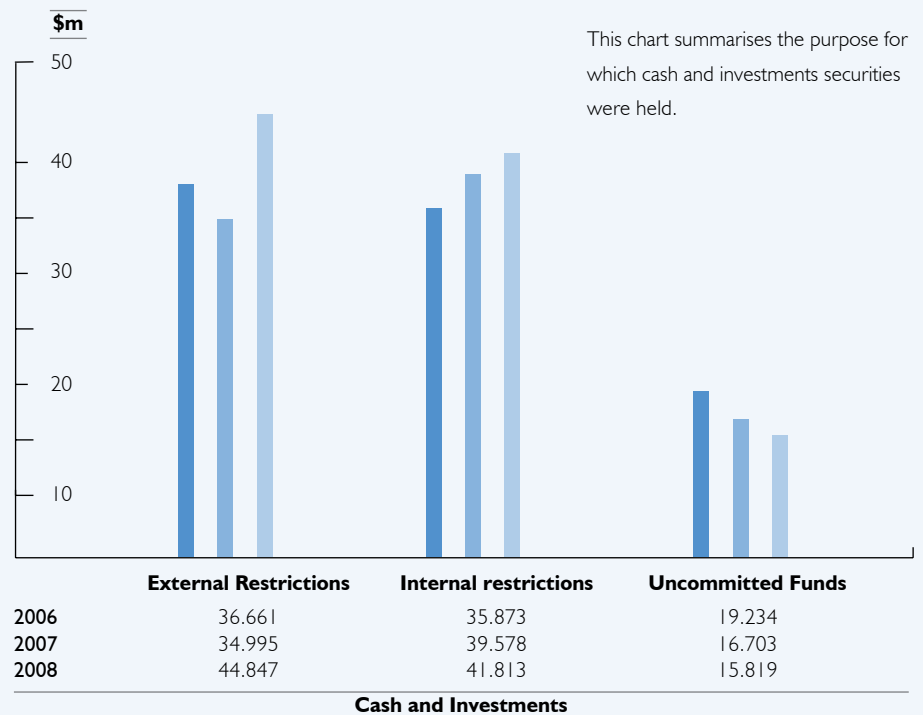
Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$25.923 million), domestic waste management charges (\$1.966 million), sportsfield rectification levies (\$4.232 million), environmental stormwater management levies (\$4.042 million), infrastructure levy (\$1.011 million) and specific purpose grants and contributions (\$7.673 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact,

Council's "Reserves". These Reserves totalled \$41.813 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments

amounted to \$15.819 million, which is available to provide liquidity for day to day operations and form the basis of Council's sound financial position.



3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$34.199 million to \$42.939 million at the close of the year.

In addition to operating activities which contributed net cash of \$28.180 million were the proceeds from the sale of investment

securities (\$12.485 million), sale of assets (\$2.196 million) and new finance lease commitments (\$515,000). Cash outflows other than operating activities were used to purchase investment securities (\$58.122 million), repay loans (\$866,000), pay finance lease installments (\$623,000), contribute capital to the Rural Fire Service (\$409,000) and to purchase and construct assets (\$17.555 million).

GENERAL PURPOSE FINANCIAL REPORT

for the financial year ended 30 June 2008

Independent Auditors' Report

4 Receivables

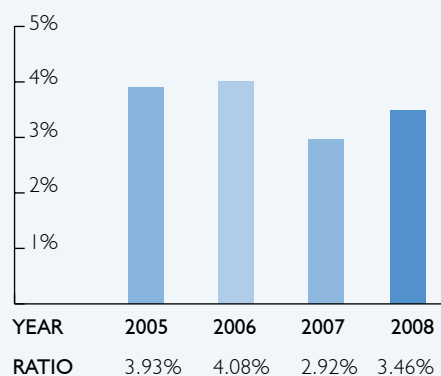
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$68.274 million and represented 55.31% (2007 - 58.34%) of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$69.996 million of which \$67.877 million (96.97%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.440 million at the end of the year & represented 3.46% of those receivables.



Rates, Annual & Extra Charges Outstanding

4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$6.219 million and mainly consisted of user charges and fees (\$5.030 million) and accrued interest on investments (\$1.082 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$221,000.

5 Payables

5.1 Self Insurance

Workers Compensation insurance claims have been actuarially assessed at \$1.055 million (2007- \$895,000) and a bank guarantee of \$2 million is held to cover these claims as required by the Workcover Authority of NSW.

Public Liability & Professional Indemnity claims payable by Council (ie up to the excess layer) have been actuarially assessed at \$615,000 (2007- \$724,000) and is fully funded with internally restricted cash and investments.

5.2 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$9.088 million. Internally restricted cash and investments of \$2.888 million was held representing 31.78% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

5.3 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$5.392 million. Internally restricted cash and investments of \$5.057 million was held representing 93.79% of this liability.

5.4 Tip Remediation Provision

Council's provision for its liability toward tip remediation stood at \$5.815 million. Internally restricted land and buildings are held in respect to this liability. The land and buildings are jointly owned with Manly, Mosman and Pittwater Councils and the value of Warringah's share (64.5%) of the properties was \$8.133 million.

6. Revaluation Of Assets

The current year saw the revaluation of property, buildings, plant and equipment to fair value. Previously, these assets were carried at cost and depreciated over their useful lives. The revaluation process resulted in a net increase of \$53.658 million and was credited directly to Equity. Notes 1(j) & 9 of the financial statements provide further details.

Fair value revaluations of infrastructure assets such as roads, footpaths, drains and bridges are required to be carried out during the next financial year and to community land during the 2009/2010 financial year.

7. Conclusion

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

SPENCER STEER
Chartered Accountants
G. V. STEER
Partner

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

CONTENTS	PAGE	BACKGROUND
1. Statement by Councillors & Management	2	(i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department of Local Government in fulfilling their requirements under National Competition Policy.
2. Special Purpose Financial Reports:		(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors. Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
Income Statement of Other Business Activities	3	
Balance Sheet of Other Business Activities	5	
3. Notes to the Special Purpose Financial Reports	7	
4. Auditor's Report	11	(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities. These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and (b) those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities). (iv) In preparing these financial reports for Council's self classified Category 1 businesses and ABS defined activities, councils must (a) adopt a corporatisation model and (b) apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT

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

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

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

To the best of our knowledge and belief, these Reports:

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

We are not aware of any matter that would render these reports false or misleading in any way. Signed in accordance with a resolution of Council made on 9 September 2008.



(Dick Persson)
ADMINISTRATOR



(Rik Hart)
GENERAL MANAGER



(Gary Mottau)
RESPONSIBLE ACCOUNTING OFFICER

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES for the financial year ended 30 June 2008

\$ '000	Children Services		Kimbriki	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
INCOME FROM CONTINUING OPERATIONS				
User charges	2,808	3,578	11,774	9,496
Fees	-	-	-	-
Interest	-	-	419	468
Grants and contributions provided for non capital purposes	1,256	453	226	183
Profit from the sale of assets	11	11	-	-
Other income	-	-	742	683
Total income from continuing operations	4,075	4,042	13,161	10,830
EXPENSES FROM CONTINUING OPERATIONS				
Employee benefits and on-costs	3,147	2,796	1,682	1,465
Borrowing costs	-	-	-	-
Materials and contracts	1,379	253	5,217	4,008
Depreciation and impairment	189	203	84	117
Loss on sale of assets	-	-	21	5
Calculated taxation equivalents	132	132	43	39
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	10	1,356	4,766	3,523
Total expenses from continuing operations	4,857	4,740	11,813	9,157
Surplus (deficit) from Continuing Operations before capital amounts	(782)	(698)	1,348	1,673
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(782)	(698)	1,348	1,673
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(782)	(698)	1,348	1,673
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(404)	(502)
SURPLUS (DEFICIT) AFTER TAX	(782)	(698)	944	1,171
plus Opening Retained Profits	3,063	3,268	14,889	14,468
plus/less: Prior Period Adjustments	-	-	-	44
plus/less: Allocation Adjustments related to IPPE	-	-	(7,380)	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	132	132	43	39
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	404	502
add:				
- Subsidy Paid/Contribution To Operations	475	361	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	(1,335)
Closing Retained Profits	2,888	3,063	8,900	14,889
Return on Capital %	-18.9%	-22.8%	338.7%	12.6%
Subsidy from Council	1,040	-	-	-

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES for the financial year ended 30 June 2008

\$ '000	Glen Street Theatre		Construction Certificate Certification	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
INCOME FROM CONTINUING OPERATIONS				
Access charges	-	-	-	-
User charges	2,439	1,916	209	156
Fees	-	-	-	-
Interest	90	57	-	-
Grants and contributions provided for non capital purposes	399	388	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	90	-	-
Total income from continuing operations	2,928	2,451	209	156
EXPENSES FROM CONTINUING OPERATIONS				
Employee benefits and on-costs	740	864	85	60
Borrowing costs	-	-	-	-
Materials and contracts	1,499	1,290	37	92
Depreciation and impairment	114	36	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	2	9	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	318	123	-	4
Total expenses from continuing operations	2,673	2,322	122	156
Surplus (deficit) from Continuing Operations before capital amounts	255	129	87	-
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	255	129	87	-
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	255	129	87	-
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(77)	(39)	(26)	-
SURPLUS (DEFICIT) AFTER TAX	179	90	61	-
plus Opening Retained Profits	2,903	2,767	20	20
plus/less: Prior Period Adjustments	(477)	210	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	2	9	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	77	39	26	-
add:				
- Subsidy Paid/Contribution To Operations	-	(212)	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	2,683	2,903	107	20
Return on Capital %	4.30%	4.90%	81.30%	0.00%
Subsidy from Council	116	-	-	-

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES for the financial year ended 30 June 2008

\$ '000	Children Services Category I		Kimbriki Category I	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	7,921	7,441
Investments	-	-	-	-
Receivables	-	-	2,439	1,600
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	529	-	-	-
Total Current Assets	529	-	10,360	9,041
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,133	3,063	398	13,297
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	4,133	3,063	398	13,297
TOTAL ASSETS	4,662	3,063	10,758	22,338
LIABILITIES				
Current Liabilities				
Payables	-	-	1,858	1,926
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	-	-	1,858	1,926
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	5,523
Total Non-Current Liabilities	-	-	-	5,523
TOTAL LIABILITIES	-	-	1,858	7,449
NET ASSETS	4,662	3,063	8,900	14,889
EQUITY				
Retained earnings	2,888	3,063	8,900	14,889
Revaluation reserves	1,774	-	-	-
Council equity interest	4,662	3,063	8,900	14,889
Minority equity interest	-	-	-	-
TOTAL EQUITY	4,662	3,063	8,900	14,889

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES for the financial year ended 30 June 2008

\$ '000	Glen Street Theatre Category I		Construction Certificate Certification Category I	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
ASSETS				
Current Assets				
Cash and cash equivalents	1,484	152	-	-
Investments	-	785	-	-
Receivables	83	65	-	-
Inventories	10	9	-	-
Other	137	160	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,714	1,171	-	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	5,936	2,633	107	20
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	5,936	2,633	107	20
TOTAL ASSETS	7,650	3,804	107	20
LIABILITIES				
Current Liabilities				
Payables	1,106	826	-	-
Interest bearing liabilities	-	-	-	-
Provisions	68	49	-	-
Total Current Liabilities	1,174	875	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	26	-	-
Total Non-Current Liabilities	-	26	-	-
TOTAL LIABILITIES	1,174	901	-	-
NET ASSETS	6,476	2,903	107	20
EQUITY				
Retained earnings	2,683	2,903	107	20
Revaluation reserves	3,793	-	-	-
Council equity interest	6,476	2,903	107	20
Minority equity interest	-	-	-	-
TOTAL EQUITY	6,476	2,903	107	20

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council and the Department of Local Government.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government". The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

- Children's Services**
Child Care and Long Day Care
- Kimbriki Recycling & Waste Disposal Centre**
Domestic and Commercial Waste Management
- Glen Street Theatre**

Category 2

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

- Construction Certificate Certification**
Construction Certificate Certification activity of the Urban Development Approvals Service (part of Council's Local Approval Service Unit)

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – 1.6% + \$100 on combined land values above \$359,000

Payroll Tax – 6% on Salaries and Wages in excess of \$600,000

Income Tax

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

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

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

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

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

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

Note 1

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

Such funds are subsequently available for meeting commitments or financing future

investment strategies. The rate of return is disclosed for each of Councils business activities on the Income Statement.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 6.45% at 30/6/08.

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

(iv) Dividends

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

SPECIAL PURPOSE FINANCIAL REPORTS

for the financial year ended 30 June 2008

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying special purpose financial report of Warringah Council, which comprises the Balance Sheet as at 30 June 2008, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the Department of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

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

SPENCER STEER

Chartered Accountants



G.V. STEER

Partner

Dated at Sydney this 29th day of September 2008

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

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- Special Schedule no. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	132
- Special Schedule no. 7	Condition of Public Works	133
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¹ Special Purpose Schedules are not audited.

BACKGROUND

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the Department of Energy, Utilities & Sustainability (DEUS), and
- the Department of Local Government (DLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of specific service financial activities.

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

Special Schedule No. 1

NET COST OF SERVICES

\$ '000 Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Governance	3,997	3,997	235	-	235	(3,762)	(3,762)
Administration							
Corporate Support	35,095		4,594	4,468		(26,033)	
Engineering and Works	10,731		1,079	6,072		(3,580)	
Other Support Services	2,180	48,006	2,281	-	18,494	101	(29,512)
Public Order and Safety							
Contributions to Fire Service Levy	1,868		-	-		(1,868)	
Fire Protection – Other	-		30	-		30	
Animal Control	41		55	-		14	
Beach Control	264		-	-		(264)	
Enforcement of Local Govt Regs	1,104		1,774	-		670	
Emergency Services	-		-	-		-	
Other	76	3,353	-	-	1,859	(76)	(1,494)
Health							
Administration and Inspection	10		48	-		38	
Other	-	10	-	-	48	-	38
Community Services and Education							
Administration	475		44	-		(431)	
Family Day Care	723		672	-		(51)	
Child Care	3,340		3,226	-		(114)	
Youth Services	225		112	-		(113)	
Other Families and Children	857		639	-		(218)	
Aged and Disabled	215		60	-		(155)	
Other Community Services	347		1	-		(346)	
Education	-	6,182	-	-	4,754	-	(1,428)
Housing and Community Amenities							
Town Planning	2,837		1,460	-		(1,377)	
Domestic Waste Management	795		1,823	-		1,028	
Other Waste Management	3,835		8,841	-		5,006	
Street Cleaning	1,617		-	-		(1,617)	
Other Sanitation and Garbage	124		135	-		11	
Drainage	278		4	-		(274)	
Stormwater Management	948		288	-		(660)	
Environmental Protection	1,920		516	-		(1,404)	
Other Community Amenities	-	12,354	-	-	13,067	-	713

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

Special Schedule No. 1

NET COST OF SERVICES continued

\$ '000 Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Water Supplies	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-
Recreation and Culture							
Public Libraries	3,418		571	-		(2,847)	
Community Centres	936		735	-		(201)	
Other Cultural Services	764		112	-		(652)	
Swimming Pools	2,211		2,216	-		5	
Parks and Gardens (Lakes)	5,558		359	46		(5,153)	
Other Sport and Recreation	2,204	15,091	52	-	4,091	(2,152)	(11,000)
Fuel and Energy							
Gas Supplies	-	-	-	-	-	-	-
Mining, Manufacturing and Construction							
Building Control	4,790		2,124	-		(2,666)	
Other	-	4,790	-	-	2,124	-	(2,666)
Transport and Communication							
Urban Roads (UR) - Local	3,250		1,088	106		(2,056)	
Street Lighting	1,565		308	-		(1,257)	
Other	-	4,815	-	-	1,502	-	(3,313)
Economic Affairs							
Other Business Undertakings	10,098	10,098	11,296	-	11,296	1,198	1,198
TOTALS – FUNCTIONS		108,696	46,778	10,692	57,470		(51,226)
General Purpose Revenues⁽¹⁾			65,971		65,971	65,971	65,971
Share of interests - joint ventures & associates using the equity method	303	303	-		-	(303)	(303)
NET OPERATING RESULT FOR YEAR	108,999		112,749	10,692	123,441	14,442	14,442

Notes:

⁽¹⁾ Includes: Rates & Annual Charges (incl. Ex Gratia), Non Capital General Purpose Grants & Interest on Investments (excl. Restricted Assets)

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

Special Schedule No. 2a and 2b

2A STATEMENT OF LONG TERM DEBT (ALL PURPOSE)

Classification of debt	Principal outstanding at beginning of year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for year	Principal outstanding at the end of year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	868	6,289	7,157	-	866	-	-	461	917	5,374	6,291
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	868	6,289	7,157	-	866	-	-	461	917	5,374	6,291
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	615	475	1,090	515	623	-	-	56	491	491	982
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	615	475	1,090	515	623	-	-	56	491	491	982
Total Debt	1,483	6,764	8,247	515	1,489	-	-	517	1,408	5,865	7,273

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPF's).

2B STATEMENT OF INTERNAL LOANS [Section 410(3) LGA 1993]

\$ '000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General			
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals		-	-

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Totals							-	-	-

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

Special Schedule No. 7

7 CONDITIONS OF PUBLIC WORKS											
\$ '000											
Asset Class	Asset Category	Dep'n Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition #	Estimated cost to bring up to a satisfactory condition standard ⁽¹⁾	Required⁽²⁾ Annual M'ntce	Current⁽³⁾ Annual M'ntce
		per Note 1	per Note 4			per Note 9			per Section 428(2d)		
Buildings	Poor	1.00%	86	-	13,577	5,716	7,861	Poor	4,545	678	168
	Fair	1.00%	529	-	83,403	35,112	48,291	Fair	285	1,362	1,032
	Average	1.00%	542	-	85,343	35,928	49,415	Average	-	709	1,056
	Good	1.00%	74	-	11,637	4,899	6,738	Good	-	160	144
	Excellent	1.00%	-	-	-	-	-	Excellent	-	65	-
	sub total		1,231	-	193,960	81,655	112,305		4,830	2,974	2,400
Public Roads	Poor	1.00%	263	25,657	-	7,874	17,783	Poor	566	-	100
	Fair	1.00%	1,096	107,094	-	32,866	74,228	Fair	3,273	-	200
	Average	1.00%	928	90,607	-	27,807	62,800	Average	-	2,423	450
	Good	1.00%	502	48,984	-	15,033	33,951	Good	-	3,014	751
	Excellent	1.00%	625	60,978	-	18,714	42,264	Excellent	-	1,445	1,001
	sub total		3,414	333,320	-	102,294	231,026		3,839	6,882	2,502
Drainage Works	Poor	1.00%	7	720	-	365	355	Poor	741	4	21
	Fair	1.00%	41	4,148	-	2,101	2,047	Fair	2,117	21	84
	Average	1.00%	1,969	197,136	-	99,844	97,292	Average	1,191	1,340	465
	Good	1.00%	865	86,659	-	43,891	42,768	Good	297	445	20
	Excellent	1.00%	407	40,727	-	20,628	20,099	Excellent	-	209	9
	sub total		3,289	329,390	-	166,829	162,561		4,346	2,019	599
	TOTAL - ALL ASSETS		7,934	662,710	193,960	350,778	505,892		13,015	11,875	5,501

Notes:

- ⁽¹⁾ Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- ⁽²⁾ Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- ⁽³⁾ Current Annual Maintenance is what has been spent in the current year to maintain assets.

Asset Condition "Key"

- 1 **Excellent** - Ranges from New to Good
- 2 **Good** - Ranges from Generally Good to Fair
- 3 **Average** - Average Condition
- 4 **Fair** - Fair Condition
- 5 **Poor** - Replacement required

SPECIAL SCHEDULES

for the financial year ended 30 June 2008

Special Schedule No. 8

8 FINANCIAL PROJECTIONS

\$ million	Actual ⁽¹⁾ 07/08	Forecast 08/09	Forecast ⁽³⁾ 09/10	Forecast ⁽³⁾ 0/11	Forecast ⁽³⁾ 11/12
(I) RECURRENT BUDGET					
Income from continuing operations	123.4	126.6	136.1	138.5	147.4
Expenses from continuing operations	109	115.7	123.5	123.8	139.9
Operating Result from Continuing Operations	14.4	10.9	12.6	14.7	7.5
(II) CAPITAL BUDGET					
New Capital Works ⁽²⁾	16.1	28.1	19.5	3.3	2.6
Replacement/Refurbishment of Existing Assets	16.8	12.9	12.5	12.5	12.0
Total Capital Budget	32.9	41	32	15.8	14.6
Funded by:					
– Loans	0.3	2.7	2.3	-	-
– Asset sales	-	-	-	-	-
– Reserves	20.7	20.1	13.0	8.8	8.6
– Grants/Contributions	4.1	10.1	9.8	1.8	1.8
– Recurrent revenue	7.8	8.1	6.9	5.2	4.2
– Other	-	-	-	-	-
	32.9	41	32	15.8	14.6

Notes:

(1) From 07/08 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.



