



**FINANCIAL  
REPORT  
2010/11**

**GENERAL PURPOSE FINANCIAL REPORT**

**For the year ended 30 June 2011**

# City of Canada Bay

## General Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Primary Financial Statements:</b>	
- Income Statement	3
- Statement of Comprehensive Income	4
- Balance Sheet	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
<b>3. Notes to the Financial Statements</b>	8
<b>4. Independent Auditor's Reports:</b>	
- On the Financial Statements (Sect 417 [2])	69
- On the Conduct of the Audit (Sect 417 [3])	70

---

### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Canada Bay.

(ii) City of Canada Bay is a body politic 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.

Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;

- 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.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 18/10/11.  
Council has the power to amend and reissue the financial statements.

---

## City of Canada Bay

### General Purpose Financial Statements for the financial year ended 30 June 2011

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

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

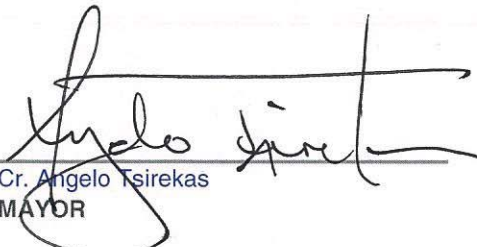
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these Financial Statements:**

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

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

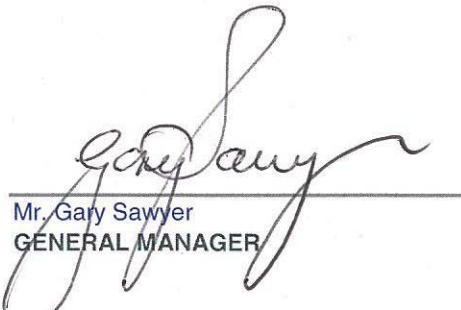
**Signed in accordance with a resolution of Council made on 20 September 2011.**



Cr. Angelo Tsirekas  
MAYOR



Cr. Jeanette O'Hara  
COUNCILLOR



Mr. Gary Sawyer  
GENERAL MANAGER



Mr. Bruce Cook  
RESPONSIBLE ACCOUNTING OFFICER

# City of Canada Bay

## Income Statement

for the financial year ended 30 June 2011

Budget <sup>(1)</sup> 2011	\$ '000	Notes	Actual 2011	Actual 2010
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
39,426	Rates & Annual Charges	3a	39,224	37,583
8,938	User Charges & Fees	3b	10,785	10,557
693	Interest & Investment Revenue	3c	1,528	1,120
3,663	Other Revenues	3d	5,831	4,264
2,663	Grants & Contributions provided for Operating Purposes	3e,f	4,222	4,032
3,928	Grants & Contributions provided for Capital Purposes	3e,f	12,176	17,517
<b>Other Income:</b>				
-	Net gains from the disposal of assets	5	-	591
<b>59,311</b>	<b>Total Income from Continuing Operations</b>		<b>73,766</b>	<b>75,664</b>
<b>Expenses from Continuing Operations</b>				
25,230	Employee Benefits & On-Costs	4a	24,119	23,497
135	Borrowing Costs	4b	135	178
18,892	Materials & Contracts	4c	17,469	18,400
8,793	Depreciation & Amortisation	4d	10,056	8,471
7,748	Other Expenses	4e	9,248	8,417
-	Net Losses from the Disposal of Assets	5	136	-
<b>60,798</b>	<b>Total Expenses from Continuing Operations</b>		<b>61,163</b>	<b>58,963</b>
<b>(1,487)</b>	<b>Operating Result from Continuing Operations</b>		<b>12,603</b>	<b>16,701</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>(1,487)</b>	<b>Net Operating Result for the Year</b>		<b>12,603</b>	<b>16,701</b>
(1,487)	Net Operating Result attributable to Council		12,603	16,701
-	Net Operating Result attributable to Minority Interests		-	-
<b>(5,415)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>427</b>	<b>(816)</b>

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

## City of Canada Bay

Statement of Comprehensive Income  
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		<b>12,603</b>	<b>16,701</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,464,181	40,590
Recognition of infrastructure assets not recorded in prior periods	20c	7,880	948,811
Total Other Comprehensive Income for the year		<b>1,472,061</b>	<b>989,401</b>
<b>Total Comprehensive Income for the Year</b>		<b>1,484,664</b>	<b>1,006,102</b>
<b>Total Comprehensive Income attributable to Council</b>		1,484,664	1,006,102
<b>Total Comprehensive Income attributable to Minority Interests</b>		-	-

## City of Canada Bay

## Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	17,632	15,874
Investments	6b	11,419	1,113
Receivables	7	3,681	4,809
Inventories	8	29	29
Other	8	583	144
<b>Total Current Assets</b>		<b>33,344</b>	<b>21,969</b>
<b>Non-Current Assets</b>			
Investments	6b	-	500
Receivables	7	51	103
Infrastructure, Property, Plant & Equipment	9	3,418,589	1,945,836
Investment Property	14	15,742	14,342
<b>Total Non-Current Assets</b>		<b>3,434,382</b>	<b>1,960,781</b>
<b>TOTAL ASSETS</b>		<b>3,467,726</b>	<b>1,982,750</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	12,408	11,472
Borrowings	10	737	696
Provisions	10	6,530	6,452
<b>Total Current Liabilities</b>		<b>19,675</b>	<b>18,620</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	1,148	1,885
Provisions	10	412	418
<b>Total Non-Current Liabilities</b>		<b>1,560</b>	<b>2,303</b>
<b>TOTAL LIABILITIES</b>		<b>21,235</b>	<b>20,923</b>
<b>Net Assets</b>		<b>3,446,491</b>	<b>1,961,827</b>
<b>EQUITY</b>			
Retained Earnings	20	1,908,355	1,887,872
Revaluation Reserves	20	1,538,136	73,955
Council Equity Interest		3,446,491	1,961,827
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>3,446,491</b>	<b>1,961,827</b>

## City of Canada Bay

Statement of Changes in Equity  
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,887,872	73,955	1,961,827	-	1,961,827
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>1,887,872</b>	<b>73,955</b>	<b>1,961,827</b>	<b>-</b>	<b>1,961,827</b>
<b>c. Net Operating Result for the Year</b>		<b>12,603</b>	<b>-</b>	<b>12,603</b>	<b>-</b>	<b>12,603</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	1,464,181	1,464,181	-	1,464,181
- Other Movements	20b (ii)	7,880	-	7,880	-	7,880
<b>Other Comprehensive Income</b>		<b>7,880</b>	<b>1,464,181</b>	<b>1,472,061</b>	<b>-</b>	<b>1,472,061</b>
<b>Total Comprehensive Income</b> (c&d)		<b>20,483</b>	<b>1,464,181</b>	<b>1,484,664</b>	<b>-</b>	<b>1,484,664</b>
<b>Equity - Balance at end of the reporting period</b>		<b>1,908,355</b>	<b>1,538,136</b>	<b>3,446,491</b>	<b>-</b>	<b>3,446,491</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2010</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		922,360	33,365	955,725	-	955,725
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/09)		<b>922,360</b>	<b>33,365</b>	<b>955,725</b>	<b>-</b>	<b>955,725</b>
<b>c. Net Operating Result for the Year</b>		<b>16,701</b>	<b>-</b>	<b>16,701</b>	<b>-</b>	<b>16,701</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	40,590	40,590	-	40,590
- Other Movements	20b (ii)	948,811	-	948,811	-	948,811
<b>Other Comprehensive Income</b>		<b>948,811</b>	<b>40,590</b>	<b>989,401</b>	<b>-</b>	<b>989,401</b>
<b>Total Comprehensive Income</b> (c&d)		<b>965,512</b>	<b>40,590</b>	<b>1,006,102</b>	<b>-</b>	<b>1,006,102</b>
<b>Equity - Balance at end of the reporting period</b>		<b>1,887,872</b>	<b>73,955</b>	<b>1,961,827</b>	<b>-</b>	<b>1,961,827</b>

## City of Canada Bay

## Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
39,426	Rates & Annual Charges		39,246	37,490
8,938	User Charges & Fees		11,061	10,409
693	Investment & Interest Revenue Received		1,486	905
6,591	Grants & Contributions		13,979	10,666
-	Bonds & Deposits Received		411	-
3,663	Other		5,888	2,027
<b>Payments:</b>				
(25,230)	Employee Benefits & On-Costs		(24,047)	(22,791)
(18,892)	Materials & Contracts		(17,718)	(17,736)
(135)	Borrowing Costs		(135)	(178)
(16,541)	Other		(9,260)	(7,309)
(1,487)	<b>Net Cash provided (or used in) Operating Activities</b>	11b	20,911	13,483
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
500	Sale of Investment Securities		500	500
-	Sale of Investment Property		-	825
937	Sale of Infrastructure, Property, Plant & Equipment		937	1,393
<b>Payments:</b>				
-	Purchase of Investment Securities		(10,306)	-
(9,318)	Purchase of Infrastructure, Property, Plant & Equipment		(9,588)	(12,677)
(7,881)	<b>Net Cash provided (or used in) Investing Activities</b>		(18,457)	(9,959)
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(696)	Repayment of Borrowings & Advances		(696)	(710)
(696)	<b>Net Cash Flow provided (used in) Financing Activities</b>		(696)	(710)
(10,064)	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		1,758	2,814
15,874	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	15,874	13,060
5,810	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	17,632	15,874
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	11,419	1,613
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		29,051	17,487

Please refer to Note 11 for additional cash flow information.

# City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	25
2(b)	Council Functions / Activities - Component Descriptions	26
3	Income from Continuing Operations	27
4	Expenses from Continuing Operations	32
5	Gains or Losses from the Disposal of Assets	36
6(a)	Cash & Cash Equivalent Assets	37
6(b)	Investment Securities	37
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	38
7	Receivables	40
8	Inventories & Other Assets	41
9(a)	Infrastructure, Property, Plant & Equipment	42
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	43 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	43 n/a
10(a)	Payables, Borrowings & Provisions	44
10(b)	Description of (& movements in) Provisions	45
11	Statement of Cash Flows - Additional Information	46
12	Commitments for Expenditure	48
13a	Statements of Performance Measures:	
	- Local Government Industry Indicators (Consolidated)	50
	- Local Government Industry Graphs (Consolidated)	51
14	Investment Properties	52
15	Financial Risk Management	53
16	Material Budget Variations	57
17	Statement of Developer Contributions	59
18	Contingencies and Other Liabilities/Assets not recognised	61
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	63 n/a
20	Equity - Retained Earnings and Revaluation Reserves	63
21	Financial Result & Financial Position by Fund	65 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	65 n/a
23	Events occurring after Balance Sheet date	66
24	Discontinued Operations	66 n/a
25	Intangible Assets	66 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	66 n/a
 <b>Additional Council Disclosures</b>		
27	Financial Review - key financial figures over the past 5 years	67
28	Council Information & Contact Details	68

n/a - not applicable

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards, 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 statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards,
- Urgent Issues Group Interpretations,
- The Local Government Act (1993) and Regulation, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) 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
- (b) 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 these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but it 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) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** 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 that are accounted for at fair valuation.

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

###### (iv) 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 statements.

###### (v) Critical Accounting Estimates

The preparation of these financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

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

###### (vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 the impairment on rates receivables 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.

Income from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(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 contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, 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 and accordingly would not be 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.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

A provision for the impairment of these receivables 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

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

The financial statements 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
- the total income and expenditure from continuing operations Five Dock Leisure Centre managed by the Canada Bay Community Recreation Committee

#### (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 statements.

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

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) Joint Venture Entities

##### Jointly Controlled Assets & Operations

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

##### Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and are 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 retained

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

earnings & reserves is recognised in the balance sheet.

##### (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 "significant 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 & Partnerships.

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 a Finance Lease or an Operating Lease.

##### 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 borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed 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 lease are 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 but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

##### (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**.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

Each classification depends on the purpose/intention for which the investment was acquired & at the time it 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 include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is 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 primarily classified as current assets as they are primarily held for trading &/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 must be 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, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

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.

##### **Financial Assets – Reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### 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.

#### Impairment

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 (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 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.

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.

Council amended its policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (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.

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.

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 any provision for impairment.

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

The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to 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.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

##### (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.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### (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 Division of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)

- **Community land** (Deprival Value), **land improvements, other structures and other assets** (Internal & External Valuation)

Until the designated future reporting periods, the above remaining asset class is 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 settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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 statements 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.

###### Asset Revaluations (including Indexation)

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

- 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 recognised via the profit or loss, then 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.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

#### 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
- land under roads	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$10,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$10,000

##### Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

##### Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/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

##### Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

##### Stormwater Drainage

- Drains, Channels, GPTs, Pits	60 to 100 years
- Culverts	50 to 80 years
- Pipe	100 years

##### Transportation Assets

- Sealed Roads: Wearing Course	20 years
- Sealed Roads: Road Base	50 years
- Unsealed roads	20 years
- Bridge: Concrete	80 years
- Bridge: Other	30-50 years
- Kerb, Gutter & Paths	50 years

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

All asset residual values and useful lives are reviewed and adjusted (where 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(s) 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) Land

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

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

#### (l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

#### (m) Intangible Assets

##### IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

#### (n) 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.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

#### (o) Investment property

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

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 three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/11.

#### **(p) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** 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 or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" 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.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations,

is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### **(q) Impairment of assets**

All Council's I, PP&E is subject to an annual assessment of impairment.

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, and 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.

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

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

#### **(r) Payables**

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.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (s) 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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.

##### (t) 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.

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.

##### (u) Provisions

Provisions for legal claims, service warranties and other like liabilities 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.

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The increase in the provision due to the passage of time is recognised as interest expense.

##### (v) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

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) Other Long Term Obligations

The liability for all long service and annual leave (which is not expected to be settled within the 12 months after the reporting period) is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

Long Service Leave is measured at the present value of 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.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 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 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

#### (iii) Retirement benefit obligations

Many 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.

#### Defined Benefit Plans

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 – i.e. as an expense when they become payable.

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, Council's 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 Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2010.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined Contribution Plans

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 on-cost liabilities that will arise

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

##### **(w) Self insurance**

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

##### **(x) Allocation between current and non-current assets & liabilities**

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 also classified as current even if not expected to be realised in the next 12 months.

##### **(y) 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).

Council's associated entity, the Canada Bay Community Recreation Association is also subject to Payroll Tax.

##### **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 revenue / 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 Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

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

##### **(z) 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 2011.

**Council has not adopted any of these standards early.**

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **Applicable to Local Government with implications:**

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

##### **Applicable to Local Government but no implications for Council;**

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

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

***AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for***

##### ***annual reporting periods beginning on or after 1 July 2011)***

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

##### **Not applicable to Local Government per se;**

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

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

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

---

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

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

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

#### **(aa) Rounding of amounts**

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

#### **(ab) 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 these financial statements and/or the notes.

#### **(ac) Disclaimer**

Nothing contained within these statements 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 2011

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	-	9,043	-	2,209	1,977	-	(2,209)	7,066	-	-	-	625,095	332
Administration	3,288	5,707	10,129	-	17,738	17,686	3,288	(12,031)	(7,557)	11	-	47,139	46,535
Public Order & Safety	1,277	1,331	1,148	1,125	1,015	2,242	152	316	(1,094)	-	-	267	244
Health	73	131	111	198	186	887	(125)	(55)	(776)	-	-	116	127
Environment	10,477	11,324	10,399	30,811	12,180	11,032	(20,334)	(856)	(633)	802	228	-	-
Community Services & Education	1,607	1,713	1,595	2,286	2,292	2,289	(679)	(579)	(694)	316	357	7,093	7,510
Housing & Community Amenities	1,433	1,875	1,117	4,971	5,745	4,932	(3,538)	(3,870)	(3,815)	278	163	157,169	90,596
Recreation & Culture	7,711	6,808	7,804	9,787	9,537	9,464	(2,076)	(2,729)	(1,660)	1,820	2,669	1,450,760	680,190
Mining, Manufacturing & Construction	534	398	468	697	753	1,140	(163)	(355)	(672)	-	-	515	393
Transport & Communication	1,508	2,667	10,637	7,974	8,910	7,523	(6,466)	(6,243)	3,114	927	449	1,150,271	1,156,802
Economic Affairs	914	1,081	2,067	740	830	1,768	174	251	299	48	-	29,301	21
<b>Total Functions &amp; Activities</b>	<b>28,822</b>	<b>42,078</b>	<b>45,475</b>	<b>60,798</b>	<b>61,163</b>	<b>58,963</b>	<b>(31,976)</b>	<b>(19,085)</b>	<b>(13,488)</b>	<b>4,202</b>	<b>3,866</b>	<b>3,467,726</b>	<b>1,982,750</b>
General Purpose Income <sup>1</sup>	30,489	31,688	30,189	-	-	-	30,489	31,688	30,189	2,480	2,268	-	-
<b>Operating Result from Continuing Operations</b>	<b>59,311</b>	<b>73,766</b>	<b>75,664</b>	<b>60,798</b>	<b>61,163</b>	<b>58,963</b>	<b>(1,487)</b>	<b>12,603</b>	<b>16,701</b>	<b>6,682</b>	<b>6,134</b>	<b>3,467,726</b>	<b>1,982,750</b>

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 2(b). Council Functions / Activities - Component Descriptions

**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.

##### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

##### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

##### **COMMUNITY SERVICES & 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 & COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

##### **RECREATION & 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.

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

##### **TRANSPORT & COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		23,907	23,005
Business		4,151	4,087
<b>Total Ordinary Rates</b>		<b>28,058</b>	<b>27,092</b>
<b>Special Rates</b>			
Sustainable City Levy		718	703
<b>Total Special Rates</b>		<b>718</b>	<b>703</b>
<b>Annual Charges</b> (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		9,784	9,135
Stormwater Management Services		664	653
<b>Total Annual Charges</b>		<b>10,448</b>	<b>9,788</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>39,224</b>	<b>37,583</b>

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

## City of Canada Bay

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		467	451
<b>Total User Charges</b>		<b>467</b>	<b>451</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608 & 610A)			
Building Regulation		313	363
Planning & Building Regulation		1,133	666
Private Works		487	1,387
Registration Fees		21	28
Section 149 Certificates (EPA Act)		183	188
Section 603 Certificates		118	135
Section 611 Charges		46	43
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>2,301</b>	<b>2,810</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.610C))			
Admission & Service Fees		973	719
Aged Care		105	109
Child Care		1,129	1,036
Golf Course Fees		1,414	1,519
Grant of Easement		-	85
Halls & Meeting Rooms		196	178
Leaseback Fees - Council Vehicles		214	274
Leisure Centre		2,476	2,188
Library		17	28
Park Rents		256	260
Parking Fees		149	125
Restoration Charges		1,047	775
Sundry Sales		9	-
Other		32	-
<b>Total Fees &amp; Charges - Other</b>		<b>8,017</b>	<b>7,296</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>10,785</b>	<b>10,557</b>

## City of Canada Bay

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		97	81
- Interest earned on Investments (interest & coupon payment income)		1,431	900
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		-	139
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>1,528</u></b>	<b><u>1,120</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		97	81
General Council Cash & Investments		1,150	829
<b>Restricted Investments/Funds - External:</b>			
Development Contributions		209	145
RCCIP Grant - Drummoyne Oval		-	65
Dept Infra-Drummoyne Oval Lighting		72	-
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>1,528</u></b>	<b><u>1,120</u></b>
<b>(d). Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	1,400	480
Rental Income - Investment Properties	14	199	227
Rental Income - Affordable Housing		142	-
Rental Income - Other Council Properties		2,122	1,884
Fines (Building Compliance)		80	99
Fines (Parking)		1,255	1,039
Fines (Other)		8	-
Legal Fees Recovery - Rates & Charges (Extra Charges)		104	116
Legal Fees Recovery - Other		10	4
Commissions & Agency Fees		5	7
Diesel Rebate		10	12
Sale of Abandoned Vehicles		23	8
Sales - General		13	11
Sponsorships		23	28
Waste Management Performance Bonus		377	273
Other		60	76
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>5,831</u></b>	<b><u>4,264</u></b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	2,061	1,856	-	-
Pensioners' Rates Subsidies - General Component	419	412	-	-
<b>Total General Purpose</b>	<b>2,480</b>	<b>2,268</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	128	144	-	-
Aged Care	-	1	-	-
Community Care	568	340	-	-
Employment & Training Programs	5	16	-	-
Environmental Projects	74	89	-	139
Heritage & Cultural	16	19	-	-
Library	205	197	-	89
Library - special projects	-	-	33	-
Recreation & Culture	40	-	-	50
Sport & Recreation	-	-	1,771	2,333
Street Lighting	150	146	-	-
Traffic Route Subsidy	30	34	-	-
Transport (Roads to Recovery)	-	-	209	269
Transport (Other Roads & Bridges Funding)	-	-	972	-
Other	1	-	-	-
<b>Total Specific Purpose</b>	<b>1,217</b>	<b>986</b>	<b>2,985</b>	<b>2,880</b>
<b>Total Grants</b>	<b>3,697</b>	<b>3,254</b>	<b>2,985</b>	<b>2,880</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	2,202	2,030	1,119	2,242
- State Funding	1,495	1,224	1,866	638
	<b>3,697</b>	<b>3,254</b>	<b>2,985</b>	<b>2,880</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 93F - Contributions using Planning Agreements	-	-	1,950	3,338
S 94 - Contributions towards amenities/services	-	-	6,233	289
S 94A - Fixed Development Consent Levies	-	-	858	1,735
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>9,041</b>	<b>5,362</b>
<b>Other Contributions:</b>				
Business Development	121	-	-	-
Insurance Incentive Scheme Contribution	118	83	-	-
Leisure Centre Assets Transfer	-	129	-	-
Recreation & Culture	-	-	99	625
Rhodes Peninsula Dedication of Land Under Road	-	-	-	8,650
Roads & Bridges	-	-	51	-
RTA Contributions (Regional/Local, Block Grant)	270	458	-	-
Transport Planning Contribution	-	72	-	-
Other	16	36	-	-
<b>Total Other Contributions</b>	<b>525</b>	<b>778</b>	<b>150</b>	<b>9,275</b>
<b>Total Contributions</b>	<b>525</b>	<b>778</b>	<b>9,191</b>	<b>14,637</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>4,222</b>	<b>4,032</b>	<b>12,176</b>	<b>17,517</b>
<b>(g). Restrictions relating to Grants and Contributions</b>				
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>				
Unexpended at the Close of the Previous Reporting Period			6,258	8,080
<b>add:</b> Grants & contributions recognised in the current period not yet spent:			9,271	4,303
<b>less:</b> Grants & contributions recognised in a previous reporting period & now spent			(4,170)	(6,125)
<b>Net Increase (Decrease) in Restricted Assets during the Reporting Period</b>			<b>5,101</b>	<b>(1,822)</b>
<b>Unexpended and held as Restricted Assets</b>			<b>11,359</b>	<b>6,258</b>
<b>Comprising:</b>				
- Specific Purpose Unexpended Grants			3,260	3,352
- Developer Contributions			8,099	2,906
			<b>11,359</b>	<b>6,258</b>

## City of Canada Bay

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		18,899	18,282
Travelling		21	20
Employee Leave Entitlements (ELE)		1,860	2,181
Superannuation - Defined Contribution Plans		1,534	1,448
Superannuation - Defined Benefit Plans		771	835
Workers' Compensation Insurance		762	677
Fringe Benefit Tax (FBT)		123	124
Payroll Tax		34	39
Training Costs (other than Salaries & Wages)		244	165
Protective Clothing		54	57
Maternity Leave		57	46
Other		79	139
<b>Total Employee Costs</b>		<b>24,438</b>	<b>24,013</b>
less: Capitalised Costs		(319)	(516)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>24,119</b>	<b>23,497</b>
Number of "Equivalent Full Time" Employees at year end		<b>307</b> *	<b>304</b>
* N.B. Employees include 9 Full Time Equivalent Staff employed at Five Dock Leisure Centre by Canada Bay Community Recreation Association.			
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		135	178
<b>Total Interest Bearing Liability Costs</b>		<b>135</b>	<b>178</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>135</b>	<b>178</b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>135</b>	<b>178</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		1,911	2,624
Contractor & Consultancy Costs			
- Waste Management		6,764	6,445
- Information Technology		835	472
- Cleaning		311	298
- Swimming Pool Management		-	277
- Golf Course Management		203	213
- Rate Payment Agencies		111	111
- Leisure Centre Memberships Payment Agency		56	42
- Contractor & Consultancy Costs (specify separately when material)		22	-
- Other Contractor & Consultancy Costs		6,081	6,346
Auditors Remuneration			
- Audit Services: Council's Auditor		48	43
Infringement Notice Contract Costs (SEINS)		156	161
Legal Expenses:			
- Legal Expenses: Planning & Development		190	180
- Legal Expenses: Other		246	223
- Legal Expenses: Debt Recovery		123	97
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(1)</sup>		372	848
Other		40	20
<b>Total Materials &amp; Contracts</b>		<b>17,469</b>	<b>18,400</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>17,469</b>	<b>18,400</b>
<b>1. Operating Lease Payments are attributable to:</b>			
- Other		372	848
		<b>372</b>	<b>848</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	649	605
Office Equipment		-	-	206	272
Furniture & Fittings		-	-	84	95
Land Improvements (depreciable)		-	-	109	607
Buildings - Non Specialised		-	-	1,628	1,593
Buildings - Specialised		-	-	185	185
Other Structures		-	-	363	474
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,312	3,326
- Stormwater Drainage		-	-	1,120	884
Other Assets					
- Library Books		-	-	383	350
- Other		-	-	17	80
<b>Total Depreciation &amp; Impairment Costs</b>		<b>-</b>	<b>-</b>	<b>10,056</b>	<b>8,471</b>
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>10,056</b>	<b>8,471</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		150	190
Agency Personnel		270	208
Bad & Doubtful Debts		51	155
Bank Charges		43	46
Child Care - Parent Fees		92	98
Computer Software Charges		670	478
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		140	137
- Emergency Services Levy		64	56
- NSW Fire Brigade Levy		1,265	1,171
- Waste Levy		885	625
- Other Contributions/Levies		-	1
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		146	139
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		9	7
Donations, Contributions & Assistance to other organisations (Section 356)			
- Meals on Wheels Volunteers		8	8
- Other Donations, Contributions & Assistance		266	226
Electricity & Heating		531	491
Fuel & Oil		464	479
Insurance - Premiums		992	971
Insurance - Excess		117	153
Motor Vehicle Registrations		77	76
Postage		118	115
Printing & Stationery		177	155
Strata Levies	14	38	38
Street Lighting		1,132	875
Subscriptions & Publications		244	181
Telephone & Communications		314	313
Valuation Fees		92	110
Water		339	255
Workcover		-	140
Other		519	486
<b>Total Other Expenses</b>		<b>9,248</b>	<b>8,417</b>
less: Capitalised Costs		-	-
<b>TOTAL OTHER EXPENSES</b>		<b>9,248</b>	<b>8,417</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal		3	300
less: Carrying Amount of Property Assets Sold		-	(212)
<b>Net Gain/(Loss) on Disposal</b>		<b>3</b>	<b>88</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		934	1,093
less: Carrying Amount of P&E Assets Sold		(985)	(915)
<b>Net Gain/(Loss) on Disposal</b>		<b>(51)</b>	<b>178</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(88)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(88)</b>	<b>-</b>
<b>Investment Properties</b>			
Proceeds from Disposal		-	825
less: Carrying Amount of Investment Properties Sold / Written Off		-	(500)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>325</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions		500	500
less: Carrying Amount of Financial Assets Sold / Redeemed		(500)	(500)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(136)</b>	<b>591</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		1,201	-	675	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		3,931	-	3,402	-
- Short Term Deposits		12,500	-	11,797	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>17,632</b>	<b>-</b>	<b>15,874</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Term Deposits		10,306	-	-	-
- Equity Linked Notes		862	-	862	-
- CDO's		251	-	251	-
<b>Total Investment Securities</b>		<b>11,419</b>	<b>-</b>	<b>1,113</b>	<b>500</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>29,051</b>	<b>-</b>	<b>16,987</b>	<b>500</b>

<sup>1</sup> 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"		<b>17,632</b>	<b>-</b>	<b>15,874</b>	<b>-</b>
--	--	---------------	----------	---------------	----------

**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,113	-	1,113	500
b. "Held to Maturity"	6(b-ii)	10,306	-	-	-
<b>Investments</b>		<b>11,419</b>	<b>-</b>	<b>1,113</b>	<b>500</b>

**Note 6(b-i)****Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"**

Balance at the Beginning of the Year		1,113	500	1,031	943
Revaluations (through the Income Statement)		-	-	82	57
Disposals (sales & redemptions)		-	(500)	-	(500)
<b>Balance at End of Year</b>		<b>1,113</b>	<b>-</b>	<b>1,113</b>	<b>500</b>

**Comprising:**

- Equity Linked Notes		862	-	862	-
- NCD's, FRN's (with Maturities > 3 months)		-	-	-	500
- CDO's		251	-	251	-
<b>Total</b>		<b>1,113</b>	<b>-</b>	<b>1,113</b>	<b>500</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 6a. - Cash Assets and Note 6b. - Investment Securities (continued)

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Note 6(b-ii)</b>					
<b>Reconciliation of Investments classified as "Held to Maturity"</b>					
Additions		10,306	-	-	-
<b>Balance at End of Year</b>		<b>10,306</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprising:</b>					
- Long Term Deposits		10,306	-	-	-
<b>Total</b>		<b>10,306</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	29,051	-	16,987	500
<b>attributable to:</b>				
External Restrictions (refer below)	15,098	-	7,614	500
Internal Restrictions (refer below)	6,918	-	4,229	-
Unrestricted	7,035	-	5,144	-
	<b>29,051</b>	<b>-</b>	<b>16,987</b>	<b>500</b>

2011 \$ '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)	2,906	7,300	(2,107)	8,099
Specific Purpose Unexpended Grants (F)	3,352	1,971	(2,063)	3,260
Domestic Waste Management (G)	1,304	9,911	(8,524)	2,691
Stormwater Management (G)	127	663	(304)	486
Sustainability Levy (G)	425	718	(581)	562
<b>External Restrictions - Other</b>	<b>8,114</b>	<b>20,563</b>	<b>(13,579)</b>	<b>15,098</b>
<b>Total External Restrictions</b>	<b>8,114</b>	<b>20,563</b>	<b>(13,579)</b>	<b>15,098</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	710	100	-	810
Bus Reserve	25	-	(25)	-
Building Reserve	127	100	(110)	117
Employees Leave Entitlement	1,100	277	-	1,377
Carry Over Works	479	2,252	(2,141)	590
Concord Oval	209	-	-	209
Election of Councillors	140	260	-	400
Investment Fund	1,223	89	(90)	1,222
Massey Park Golf Course	47	11	-	58
Rhodes Traffic Management Reserve	37	6	-	43
Wellbank Childrens Centre	132	51	-	183
Five Dock Leisure Centre	-	137	-	137
Workers Compensation	-	205	-	205
Financial Sustainability	-	1,157	-	1,157
Affordable Housing	-	410	-	410
<b>Total Internal Restrictions</b>	<b>4,229</b>	<b>5,055</b>	<b>(2,366)</b>	<b>6,918</b>
<b>TOTAL RESTRICTIONS</b>	<b>12,343</b>	<b>25,618</b>	<b>(15,945)</b>	<b>22,016</b>

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

**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.

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		777	25	772	52
Interest & Extra Charges		62	26	63	51
User Charges & Fees		45	-	29	-
Private Works		23	-	251	-
Accrued Revenues					
- Interest on Investments		168	-	100	-
Employee Advances		39	-	43	-
General Debtors		805	-	1,408	-
Government Grants & Subsidies		684	-	215	-
Legal Costs Awarded		-	-	18	-
Net GST Receivable		380	-	254	-
Property Leases		114	-	93	-
Road Restorations		611	-	1,231	-
Voluntary Planning Agreement S93F		243	-	478	-
Other Debtors		-	-	93	-
<b>Total</b>		<b>3,951</b>	<b>51</b>	<b>5,048</b>	<b>103</b>
<b>less: Provision for Impairment</b>					
Other Debtors		(270)	-	(239)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(270)</b>	<b>-</b>	<b>(239)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>3,681</u></b>	<b><u>51</u></b>	<b><u>4,809</u></b>	<b><u>103</u></b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		252	-	233	-
Stormwater Management		22	-	22	-
Other					
- Environmental Levy		1	-	1	-
- Sustainability Levy		19	-	17	-
- Voluntary Planning Agreement S93F		243	-	478	-
<b>Total External Restrictions</b>		<b>537</b>	<b>-</b>	<b>751</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,144</b>	<b>51</b>	<b>4,058</b>	<b>103</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>3,681</u></b>	<b><u>51</u></b>	<b><u>4,809</u></b>	<b><u>103</u></b>

**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 was charged on overdue rates & charges at 9.00% (2010 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.

## City of Canada Bay

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		29	-	29	-
<b>Total Inventories</b>		<b>29</b>	<b>-</b>	<b>29</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		583	-	144	-
<b>Total Other Assets</b>		<b>583</b>	<b>-</b>	<b>144</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>612</b>	<b>-</b>	<b>173</b>	<b>-</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

Notes to the Financial Statements  
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010				Asset Movements during the Reporting Period						as at 30/6/2011			
	At	At	Acc.	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Acc.	Carrying
	Cost	Fair Value	Dep'n	Value							Cost	Fair Value	Dep'n	Value
Capital Work in Progress	5,442	-	-	5,442	2,041	-		(5,292)	-	-	2,191	-	-	2,191
Plant & Equipment	-	6,267	2,101	4,166	1,644	(985)	(649)	-	-	-	-	6,495	2,319	4,176
Office Equipment	-	949	733	216	208	-	(206)	57	-	-	-	1,215	940	275
Furniture & Fittings	-	1,063	465	598	58	-	(84)	-	-	-	-	1,120	548	572
<b>Land:</b>														
- Operational Land	-	39,499	-	39,499	-	-	-	-	-	-	-	39,499	-	39,499
- Community Land	635,650	-	-	635,650	-	-	-	-	-	1,417,381	-	2,053,031	-	2,053,031
- Land under Roads (pre 1/7/08)	-	895,327	-	895,327	-	-	-	-	-	-	-	895,327	-	895,327
- Land under Roads (post 30/6/08)	-	8,650	-	8,650	-	-	-	-	-	-	-	8,650	-	8,650
Land Improvements - depreciable	15,573	-	3,023	12,550	737	-	(109)	56	(1,164)	12,338	-	30,139	5,731	24,408
Buildings - Non Specialised	-	72,041	28,378	43,663	4,289	(88)	(1,628)	5,063	613	-	-	81,871	29,959	51,912
Buildings - Specialised	-	6,622	3,814	2,808	-	-	(185)	-	-	-	-	6,622	3,999	2,623
Other Structures	16,754	-	4,031	12,723	284	-	(363)	2	570	33,737	-	133,680	86,727	46,953
<b>Infrastructure:</b>														
- Roads, Bridges, Footpaths	-	308,151	82,152	225,999	1,862	-	(5,312)	114	7,800	-	-	324,798	94,335	230,463
- Stormwater Drainage	-	108,485	50,535	57,950	306	-	(1,120)	-	-	-	-	108,791	51,655	57,136
<b>Other Assets:</b>														
- Library Books	1,913	-	1,470	443	265	-	(383)	-	-	-	-	2,178	1,853	325
- Other	422	-	270	152	126	-	(17)	-	62	725	-	1,542	494	1,048
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>675,754</b>	<b>1,447,054</b>	<b>176,972</b>	<b>1,945,836</b>	<b>11,820</b>	<b>(1,073)</b>	<b>(10,056)</b>	<b>-</b>	<b>7,881</b>	<b>1,464,181</b>	<b>2,191</b>	<b>3,694,958</b>	<b>278,560</b>	<b>3,418,589</b>

"Note: Mandatory asset classes reported above vary from the asset classes from Council's asset heirarchy reported in Special Schedule No. 7"

Additions to Buildings and Infrastructure are made up of Asset Renewals of \$5.380M and New Assets of \$11.732M. Renewals are defined as replacements of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

## City of Canada Bay

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

---

\$ '000

---

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

#### Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

---

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

**NB.** Impairment Adjustments relating to I,PP&E assets may have been recognised direct to Equity - refer Note 20 (ii).

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		3,430	-	3,679	-
Goods & Services - capital expenditure		323	-	40	-
Payments Received In Advance		170	-	106	-
Accrued Expenses:					
- Other Expenditure Accruals		585	-	163	-
Security Bonds, Deposits & Retentions		7,893	-	7,482	-
Payroll		7	-	2	-
<b>Total Payables</b>		<b>12,408</b>	<b>-</b>	<b>11,472</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		737	1,148	696	1,885
<b>Total Borrowings</b>		<b>737</b>	<b>1,148</b>	<b>696</b>	<b>1,885</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,750	-	1,826	-
Sick Leave		406	-	405	-
Long Service Leave		4,317	412	4,164	418
Sub Total - Aggregate Employee Benefits		6,473	412	6,395	418
Self Insurance - Other		57	-	57	-
<b>Total Provisions</b>		<b>6,530</b>	<b>412</b>	<b>6,452</b>	<b>418</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>19,675</b>	<b>1,560</b>	<b>18,620</b>	<b>2,303</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2011		2010	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		884	-	632	-
Sustainability Levy		19	-	-	-
Liabilities relating to externally restricted assets		903	-	632	-
<b>Internally Restricted Assets</b>					
Nil					
<b>Total Liabilities relating to restricted assets</b>		<b>903</b>	<b>-</b>	<b>632</b>	<b>-</b>

<sup>1</sup> 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.

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	2011	2010
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,980	3,864
Payables - Security Bonds, Deposits & Retentions	4,919	5,800
	<b>9,899</b>	<b>9,664</b>

## Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,826	1,291	(1,367)	-	-	1,750
Sick Leave	405	2	(1)	-	-	406
Long Service Leave	4,582	567	(420)	-	-	4,729
Self Insurance	57	-	-	-	-	57
<b>TOTAL</b>	<b>6,870</b>	<b>1,860</b>	<b>(1,788)</b>	<b>-</b>	<b>-</b>	<b>6,942</b>

a. 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.

b. 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.

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	17,632	15,874
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>17,632</b>	<b>15,874</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>12,603</b>	<b>16,701</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		10,056	8,471
Net Losses/(Gains) on Disposal of Assets		136	(591)
Non Cash Capital Grants and Contributions		(1,950)	(10,859)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		-	(139)
- Investment Properties		(1,400)	(480)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		1,149	(2,286)
Increase/(Decrease) in Provision for Doubtful Debts		31	109
Decrease/(Increase) in Inventories		-	(14)
Decrease/(Increase) in Other Assets		(439)	176
Increase/(Decrease) in Payables		(249)	1,781
Increase/(Decrease) in other accrued Expenses Payable		422	(525)
Increase/(Decrease) in Other Liabilities		480	448
Increase/(Decrease) in Employee Leave Entitlements		72	706
Increase/(Decrease) in Other Provisions		-	(15)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>20,911</b>	<b>13,483</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
S93F Property Contributions		1,950	2,080
Other Dedications		-	8,779
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>1,950</b>	<b>10,859</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
Credit Cards / Purchase Cards		150	150
<b>Total Financing Arrangements</b>		<b>650</b>	<b>650</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		16	8
<b>Total Financing Arrangements Utilised</b>		<b>16</b>	<b>8</b>

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.

# City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		157	1,221
Recreational Projects		2,664	-
Roads, Bridges & Footpaths		851	-
Stormwater Drainage		107	-
<b>Total Commitments</b>		<b>3,779</b>	<b>1,221</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		-	1,221
Later than one year and not later than 5 years		3,779	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>3,779</b>	<b>1,221</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		238	-
Future Grants & Contributions		754	798
Sect 64 & 94 Funds/Reserves		1,259	-
Unexpended Grants		95	-
Externally Restricted Reserves		1,306	-
Internally Restricted Reserves		127	423
<b>Total Sources of Funding</b>		<b>3,779</b>	<b>1,221</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		160	200
<b>Total Commitments</b>		<b>160</b>	<b>200</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		40	40
Later than one year and not later than 5 years		120	160
Later than 5 years		-	-
<b>Total Payable</b>		<b>160</b>	<b>200</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Finance Lease Commitments</b>			
Nil			
<b>(d) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		268	310
Later than one year and not later than 5 years		80	357
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>348</b>	<b>667</b>

**b. Non Cancellable Operating Leases include the following assets:**

Computers and Office Equipment Rentals

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to Operating Leases:**

- All Operating Lease Agreements 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		948	955
Later than one year and not later than 5 years		1,984	2,611
Later than 5 years		-	208
<b>Total Payable</b>		<b>2,932</b>	<b>3,774</b>

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010      2009	
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>17,709</u>	2.00 : 1	1.63	1.16
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	8,873			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>831</u>	1.39%	1.57%	1.98%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	59,848			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>39,224</u>	53.17%	49.67%	54.22%
Income from Continuing Operations	73,766			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>890</u>	2.20%	2.43%	2.29%
Rates, Annual & Extra Charges Collectible	40,363			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	<u>5,380</u>	65.25%	55.38%	54.43%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	8,245			

## Notes

(1) Refer Notes 6-8 inclusive.

Also excludes any Real Estate &amp; 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 payables &amp; provisions not expected to be paid in the next 12 months (incl. ELE).

(4) Asset Renewals represent the replacement &amp;/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

City of Canada Bay

Notes to the Financial Statements  
for the financial year ended 30 June 2011

Note 13a(i). Statement of Performance Measurement - Graphs (Consolidated)

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.72</td> </tr> <tr> <td>2009</td> <td>1.16</td> </tr> <tr> <td>2010</td> <td>1.63</td> </tr> <tr> <td>2011</td> <td>2.00</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	1.72	2009	1.16	2010	1.63	2011	2.00	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 2.00 : 1</b></p> <p>The ratio for 2010/11 is indicative that Council has sufficient short term assets to cover short term liabilities. The result reflects the impact of fair valuation movements and considerable investment in fixed assets.</p>
Year	Ratio : 1											
2008	1.72											
2009	1.16											
2010	1.63											
2011	2.00											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>2.37%</td> </tr> <tr> <td>2009</td> <td>1.98%</td> </tr> <tr> <td>2010</td> <td>1.57%</td> </tr> <tr> <td>2011</td> <td>1.39%</td> </tr> </tbody> </table>	Year	Ratio %	2008	2.37%	2009	1.98%	2010	1.57%	2011	1.39%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 1.39%</b></p> <p>The continuing improvement of this ratio reflects the continued repayment of debt. An amount of \$696,000 of debt was repaid during 2011 leaving outstanding loans as at 30 June in the amount of \$1.88M. Council's Long Term Financial Plan has set an upper limit for its Debt Service Ratio at 5%.</p>
Year	Ratio %											
2008	2.37%											
2009	1.98%											
2010	1.57%											
2011	1.39%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>59.62%</td> </tr> <tr> <td>2009</td> <td>54.22%</td> </tr> <tr> <td>2010</td> <td>49.67%</td> </tr> <tr> <td>2011</td> <td>53.17%</td> </tr> </tbody> </table>	Year	Ratio %	2008	59.62%	2009	54.22%	2010	49.67%	2011	53.17%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 53.17%</b></p> <p>An increase in the ratio reflects an increase in rating revenues and also a reduction in capital grants.</p>
Year	Ratio %											
2008	59.62%											
2009	54.22%											
2010	49.67%											
2011	53.17%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>2.38%</td> </tr> <tr> <td>2009</td> <td>2.29%</td> </tr> <tr> <td>2010</td> <td>2.43%</td> </tr> <tr> <td>2011</td> <td>2.20%</td> </tr> </tbody> </table>	Year	Ratio %	2008	2.38%	2009	2.29%	2010	2.43%	2011	2.20%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2010/11 Result</b></p> <p><b>2010/11 Ratio 2.20%</b></p> <p>The result remains within Council's Target and is significantly better than the industry benchmark of 5%.</p>
Year	Ratio %											
2008	2.38%											
2009	2.29%											
2010	2.43%											
2011	2.20%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>55.98%</td> </tr> <tr> <td>2009</td> <td>54.43%</td> </tr> <tr> <td>2010</td> <td>55.38%</td> </tr> <tr> <td>2011</td> <td>65.25%</td> </tr> </tbody> </table>	Year	Ratio %	2008	55.98%	2009	54.43%	2010	55.38%	2011	65.25%	<p><b>Purpose of Bldg &amp; Infrastructure Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2010/11 Ratio 65.25%</b></p> <p>This ratio indicates how well Council is renewing Assets in relation to their consumption rate. This year the renewal rate has been higher than in previous years.</p>
Year	Ratio %											
2008	55.98%											
2009	54.43%											
2010	55.38%											
2011	65.25%											

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<u>15,742</u>	<u>14,342</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		14,342	16,156
- Disposals during Year		-	(500)
- Net Gain/(Loss) from Fair Value Adjustments		1,400	480
- Transfers from/(to) Owner Occupied (Note 9)		-	(1,794)
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<u>15,742</u>	<u>14,342</u>

**(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 2011 revaluations were based on Independent Assessments made by:  
Colliers International in respect of Commercial Properties and RP Data Indices for Residential Properties.

**(c) Contractual Obligations at Reporting Date**

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

**(d) Investment Property Income & Expenditure - summary**

<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		199	227
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(67)	(35)
<b>Net Revenue Contribution from Investment Properties</b>		<u>132</u>	<u>192</u>
plus:			
<b>Fair Value Movement for year</b>		1,400	480
<b>Total Income attributable to Investment Properties</b>		<u>1,532</u>	<u>672</u>

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 15. Financial Risk Management

\$ '000

##### Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** 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	
	2011	2010	2011	2010
<b>Financial Assets</b>				
Cash and Cash Equivalents	17,632	15,874	17,632	15,874
Investments				
- "Held for Trading"	1,113	1,613	1,113	1,613
- "Held to Maturity"	10,306	-	10,306	-
Receivables	3,732	4,912	3,732	4,912
<b>Total Financial Assets</b>	<b>32,783</b>	<b>22,399</b>	<b>32,783</b>	<b>22,399</b>
<b>Financial Liabilities</b>				
Payables	12,238	11,366	12,237	11,366
Loans / Advances	1,885	2,581	1,786	2,445
<b>Total Financial Liabilities</b>	<b>14,123</b>	<b>13,947</b>	<b>14,023</b>	<b>13,811</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt 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 (in active markets for identical investments) at the reporting date or independent valuation.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### 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 Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's 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 there 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 investment counterparty) 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 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 (for 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
<b>2011</b>				
Possible impact of a 10% movement in Market Values	111	111	(111)	(111)
Possible impact of a 1% movement in Interest Rates	279	279	(279)	(279)
<b>2010</b>				
Possible impact of a 10% movement in Market Values	161	161	(161)	(161)
Possible impact of a 1% movement in Interest Rates	159	159	(159)	(159)

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### 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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	183	2,320	-	2,293
Past due by up to 30 days	-	339	-	139
Past due between 31 and 180 days	-	14	-	834
Past due between 181 and 365 days	456	72	687	781
Past due by more than 1 year	163	455	137	280
	<b>802</b>	<b>3,200</b>	<b>824</b>	<b>4,327</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2011	2010
Balance at the beginning of the year			239	130
+ new provisions recognised during the year			51	154
- amounts already provided for & written off this year			(20)	(45)
<b>Balance at the end of the year</b>			<b>270</b>	<b>239</b>

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### 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.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

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			
<b>2011</b>									
Trade/Other Payables	7,893	4,344	-	-	-	-	-	12,237	12,238
Loans & Advances	-	831	831	380	-	-	-	2,042	1,885
<b>Total Financial Liabilities</b>	<b>7,893</b>	<b>5,175</b>	<b>831</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,279</b>	<b>14,123</b>
<b>2010</b>									
Trade/Other Payables	7,482	3,884	-	-	-	-	-	11,366	11,366
Loans & Advances	-	831	831	831	380	-	-	2,873	2,581
<b>Total Financial Liabilities</b>	<b>7,482</b>	<b>4,715</b>	<b>831</b>	<b>831</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>14,239</b>	<b>13,947</b>

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.

The following interest rates were applicable to Council's Borrowings at balance date:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	12,238	0.0%	11,366	0.0%
Loans & Advances - Fixed Interest Rate	1,885	6.0%	2,581	6.3%
	<u>14,123</u>		<u>13,947</u>	

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between 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.

**Note that for Variations\* of Budget to Actual :**

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

**F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>39,426</b>	<b>39,224</b>	<b>(202)</b>	(1%)	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>8,938</b>	<b>10,785</b>	<b>1,847</b>	21%	<b>F</b>
Planning & Regulation Fees associated with DA's exceeded original budget by \$215K. Income from Road Restoration projects exceeded Budget by \$571K. Income from the Leisure Centre exceeded Budget by \$136K. Other major Budget variations included additional infrastructure income of 470K, Health Inspections of \$47K, Hall Income of \$24K & Forfeited deposit income of \$33K. Some minor falls in income were also experienced.					
<b>Interest &amp; Investment Revenue</b>	<b>693</b>	<b>1,528</b>	<b>835</b>	120%	<b>F</b>
The RBA 0.25% interest rate rise in Nov 2010 coupled with larger than anticipated monthly average funds available for investment has resulted in interest income of \$827K better than originally forecast. Interest earned from Developer contributions has been reserved for future expenditure.					
<b>Other Revenues</b>	<b>3,663</b>	<b>5,831</b>	<b>2,168</b>	59%	<b>F</b>
Rental income from Affordable Housing of \$141K were not forecast in the original budget and other Lease rental exceeded budget by \$169K. Waste Performance Payment was not previously budgeted and amounted to \$377K . Some revenues performing better than Budget were Debt Recovery from Rates of \$377K and Fine Revenue of \$27K.					
<b>Operating Grants &amp; Contributions</b>	<b>2,663</b>	<b>4,222</b>	<b>1,559</b>	59%	<b>F</b>
The Financial Assistance Grant first quarter for 2012 was paid in advance. Also Federal and State Grants relating to Affordable Housing Dwellings of \$268K was not included in the original Budget. Other Grants and Contributions received and not originally budgeted were Art Reclamation of \$40K, Statewide Insurance Scheme of \$74K, the State Cover OH & S Incentive Grant of \$44K, and various other grants.					
<b>Capital Grants &amp; Contributions</b>	<b>3,928</b>	<b>12,176</b>	<b>8,248</b>	210%	<b>F</b>
The Financial Assistance Grant (Roads Component) first quarter for 2012 was paid in advance. The original budget did not include provision for the receipt of three residential units with a total value of \$1.95M. Additional receipts of S94 funds in excess of Budget were \$7M. The original Budget did not include Business Precinct Enhancement Grant of \$250K.					

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	-----	-----
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>25,230</b>	<b>24,119</b>	<b>1,111</b>	4%	<b>F</b>
<b>Borrowing Costs</b>	<b>135</b>	<b>135</b>	<b>-</b>	0%	<b>F</b>
<b>Materials &amp; Contracts</b>	<b>18,892</b>	<b>17,469</b>	<b>1,423</b>	8%	<b>F</b>
<b>Depreciation &amp; Amortisation</b>	<b>8,793</b>	<b>10,056</b>	<b>(1,263)</b>	(14%)	<b>U</b>
Depreciation Expense in relation to Roads, Bridges and Footpaths, and also Stormwater Drainage has increased due to the Fair Value of these classes of Assets in 2010.					
<b>Other Expenses</b>	<b>7,748</b>	<b>9,248</b>	<b>(1,500)</b>	(19%)	<b>U</b>
Street Lighting costs exceeded Budget by \$188K. A recorded Bad Debts provision of \$51K was not previously budgeted.					
One of the major increases to Expenditure over Budget was that Council adjusted the way it accounts for the Waste Levy, separating the Levy from the Materials & Contracts Expenditure Budget increasing other expenses by \$885K					
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>136</b>	<b>(136)</b>	0%	<b>U</b>

\$ '000	2011 Budget	2011 Actual	2011 Variance*	-----	-----
---------	----------------	----------------	-------------------	-------	-------

**Budget Variations relating to Council's Cash Flow Statement include:**

<b>Cash Flows from Operating Activities</b>	<b>(1,487)</b>	<b>20,911</b>	<b>22,398</b>	(1506.3%)	<b>F</b>
The original budget did not account for the significant cash flow effect from grants and contributions and other revenues that were received after the original budget was adopted. These variations are detailed in the explanations provided above for "Operating Grants and Contributions" and "Capital Grants and Contributions" and "Other Revenues" in the Income Statement.					
<b>Cash Flows from Investing Activities</b>	<b>(7,881)</b>	<b>(18,457)</b>	<b>(10,576)</b>	134.2%	<b>U</b>
The original budget did not account for the purchase of investment securities in the amount of \$10.3M. These investments are term deposits with approved deposit taking institutions where time to maturity (from date of purchase) is greater than 3 months. Investments were considered to be shorter term cash investments at time of budget preparation.					
<b>Cash Flows from Financing Activities</b>	<b>(696)</b>	<b>(696)</b>	<b>-</b>	0.0%	<b>F</b>

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

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 their future use.

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	94	-	-	1	-	-	95	-	(95)	-	94
Roads	380	1,137	-	41	-	-	1,558	3,000	(4,558)	-	-
Parking	131	108	-	9	-	-	248	-	(248)	-	61
Open Space	656	2,893	-	70	-	-	3,619	3,000	(6,619)	-	-
Community Facilities	162	2,095	-	34	(11)	-	2,280	5,146	(7,426)	-	(155)
<b>S94 Contributions - under a Plan</b>	<b>1,423</b>	<b>6,233</b>	-	<b>155</b>	<b>(11)</b>	-	<b>7,800</b>	<b>11,146</b>	<b>(18,946)</b>	-	-
<b>S94A Levies - under a Plan</b>	<b>277</b>	<b>858</b>	-	<b>23</b>	<b>(1,561)</b>	-	<b>(403)</b>				-
<b>Total S94 Revenue Under Plans</b>	<b>1,700</b>	<b>7,091</b>	-	<b>178</b>	<b>(1,572)</b>	-	<b>7,397</b>				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	1,206	-	1,950	31	(535)	-	702				
S64 Contributions	-	-	-	-	-	-	-				
<b>Total Contributions</b>	<b>2,906</b>	<b>7,091</b>	<b>1,950</b>	<b>209</b>	<b>(2,107)</b>	-	<b>8,099</b>	<b>11,146</b>	<b>(18,946)</b>	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

CONTRIBUTION PLAN - Concord Area

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
		Roads	380					1,137	-	41	
Parking	70	-	-	8	-	-	78	-	(78)	-	-
Open Space	656	2,893	-	70	-	-	3,619	3,000	(6,619)	-	-
Community Facilities	308	2,095	-	34	(11)	-	2,426	5,000	(7,426)	-	-
<b>Total</b>	<b>1,414</b>	<b>6,125</b>	<b>-</b>	<b>153</b>	<b>(11)</b>	<b>-</b>	<b>7,681</b>	<b>11,000</b>	<b>(18,681)</b>	<b>-</b>	<b>-</b>

CONTRIBUTION PLAN - Drummoyne Area

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
		Drainage	94					-	-	1	
Parking - Victoria Road	61	108	-	1	-	-	170	-	(170)	-	61
Community Facilities	(146)	-	-	-	-	-	(146)	146	-	-	(155)
<b>Total</b>	<b>9</b>	<b>108</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>146</b>	<b>(265)</b>	<b>-</b>	<b>-</b>

**S94A LEVIES - UNDER A PLAN**

S94A LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
		Community Facilities	277					858	-	23	
<b>Total</b>	<b>277</b>	<b>858</b>	<b>-</b>	<b>23</b>	<b>(1,561)</b>	<b>-</b>	<b>(403)</b>				

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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) Defined Benefit Superannuation Contribution Plans

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

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme estimates the share of the deficit to be as at 30 June 2011 to be approximately \$1.1 M, but as this is only an estimate Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

##### (ii) 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 Councils 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.

##### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

##### (iv) Other Guarantees

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

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

###### (i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

###### (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 receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

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.

###### (iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

###### (iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council (cont'd)

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

###### (iv) Legal Matters

##### CITY OF CANADA BAY COUNCIL v PHOENIX COMMERCIAL ENTERPRISES

Council is currently involved in a legal matter involving the termination of a contract with Phoenix Commercial Enterprises as a result of a breach of contract, viz a non-payment of a lease fee.

A counter claim for damages has been served against Council which, in the opinion of Council's solicitor is not likely to succeed.

#### ASSETS NOT RECOGNISED:

###### (ii) Metro Pool

Council is a former member of an insurance group named Metro Pool, which is a cooperative organisation providing public liability and professional indemnity coverage for the Local Government Areas of Auburn, Botany Bay, Holroyd, Hunter's Hill, Lane Cove, Marrickville and Rockdale.

As at 30 June 2011 Council has a 4.5% interest in the equity of Metro Pool which amounts to \$277K. This equity position has not been recognised in this Financial Report.

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

#### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,887,872	922,360
a. Correction of Prior Period Errors	20 (c)	7,880	53,484
b. Other Comprehensive Income (excl. direct to Reserves transactions)		-	895,327
c. Net Operating Result for the Year		12,603	16,701
<b>Balance at End of the Reporting Period</b>		<b><u>1,908,355</u></b>	<b><u>1,887,872</u></b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		1,538,136	73,955
<b>Total</b>		<b><u>1,538,136</u></b>	<b><u>73,955</u></b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		73,955	33,365
- Revaluations for the year	9(a)	1,464,181	40,590
<b>- Balance at End of Year</b>		<b><u>1,538,136</u></b>	<b><u>73,955</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>1,538,136</u></b>	<b><u>73,955</u></b>
<b>(iii). Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Corrections accounted for in this year's financial statements:</b>			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/06/10 (the closing date of the comparative figures in this report).			
As a result, Council has allowed inclusion of not previously reported Assets being Private Street Lighting, additional Street Furniture and Traffic Facilities Non-RTA:			
		7,800	
Buildings		80	
		<u>7,880</u>	
<b>Corrections accounted for in last year's financial statements:</b>			
As part of Council's transition to measuring all its I,PP&E at Fair Values, Council last year reviewed and brought to account Fair Values for two of its Asset Classes.			
As part of that evaluation & measurement process, the remaining useful life of each asset was reassessed to actual.			
This reassessment resulted in a material difference as to where some assets actually sat in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/09 (the closing date for the comparative figures in this report).			
As a result, Council adjusted the accumulated depreciation for the following asset classes as at 30/6/09 to reflect the correct value of accumulated depreciation;			
- Roads, Bridges & Footpaths	decrease to accumulated depreciation		55,653
- Stormwater Drainage	(increase) to accumulated depreciation		<u>(2,169)</u>
			<b>53,484</b>

## City of Canada Bay

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2011	Actual 2010
<b>d. Voluntary Changes in Accounting Policies</b>			
Council made no voluntary changes in any accounting policies during the year.			
<b>Accounting Policy changes made in last year's financial statements:</b>			
Council recognised for the first time Land Under Road Assets in accordance with the application of AASB 1051 - Land Under Roads.			
This was a result of Council's election to recognise Land Under Roads owned by Council as at 30/6/08.			
This has had the effect of increasing I,PP&E (& Equity) by:		-	895,327

#### Note 21. Financial Result & Financial Position by Fund

Council operations & activities are funded by way of a General Fund only.

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

## City of Canada Bay

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 23. Events occurring after Balance Sheet Date

---

\$ '000

---

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

**Accordingly, the "authorised for issue" date is 18/10/11.**

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 statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

#### Note 24. Discontinued Operations

---

Council has not classified 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 recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

---

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

## City of Canada Bay

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 27. Financial Commentary &amp; Review (continued)

\$ '000

## Key Financial Figures of Council over the past 5 years (consolidated)

<b>Financial Performance Figures</b>	<b>2011</b>	<b>2010</b>	2009	2008	2007
<b>Inflows:</b>					
Rates & Annual Charges Revenue	<b>39,224</b>	37,583	34,816	32,954	30,696
User Charges Revenue	<b>10,785</b>	10,557	7,404	5,918	4,927
Interest & Investment Revenue (Losses)	<b>1,528</b>	1,120	(145)	(138)	1,771
Grants Income - Operating & Capital	<b>6,682</b>	6,134	7,581	4,013	4,953
Total Income from Continuing Operations	<b>73,766</b>	75,664	64,209	55,272	48,328
Sale Proceeds from I,PP&E	<b>937</b>	2,218	817	803	815
New Loan Borrowings & Advances	-	-	-	-	-
<b>Outflows:</b>					
Employee Benefits & On-cost Expenses	<b>24,119</b>	23,497	20,700	17,890	16,885
Borrowing Costs	<b>135</b>	178	219	265	311
Materials & Contracts Expenses	<b>17,469</b>	18,400	17,333	16,549	16,677
Total Expenses from Continuing Operations	<b>61,163</b>	58,963	53,473	48,622	47,602
Total Cash purchases of I,PP&E	<b>9,588</b>	12,677	14,087	16,372	9,261
Total Loan Repayments (incl. Finance Leases)	<b>696</b>	710	739	795	750
Operating Surplus/(Deficit) (excl. Capital Income)	<b>427</b>	(816)	(3,074)	(2,474)	(3,150)
<b>Financial Position Figures</b>	<b>2011</b>	<b>2010</b>	2009	2008	2007
Current Assets	<b>33,344</b>	21,969	17,066	20,730	20,405
Current Liabilities	<b>19,675</b>	18,620	16,658	19,089	15,046
Net Current Assets	<b>13,669</b>	3,349	408	1,641	5,359
Available Working Capital (Unrestricted Net Current Assets)	<b>(771)</b>	(1,522)	(3,884)	(2,733)	(5,123)
Cash & Investments - Unrestricted	<b>7,035</b>	5,144	2,980	6,798	3,854
Cash & Investments - Internal Restrictions	<b>6,918</b>	4,229	2,573	4,729	4,831
Cash & Investments - Total	<b>29,051</b>	17,487	15,034	20,092	20,630
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>1,885</b>	2,581	3,291	4,030	4,825
Total Value of I,PP&E (excl. Land & Earthworks)	<b>700,642</b>	543,682	471,244	452,124	417,960
Total Accumulated Depreciation	<b>278,560</b>	176,972	203,580	196,098	175,065
Indicative Remaining Useful Life (as a % of GBV)	60%	67%	57%	57%	58%

Source: Published audited financial statements of Council (current year &amp; prior year)

## City of Canada Bay

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 28. Council Information & Contact Details

---

**Principal Place of Business:**

1A Marlborough Street  
Drummoyne NSW 2047

**Contact Details****Mailing Address:**

Locked Bag 1470  
Drummoyne NSW 2047

**Opening Hours:**

8:30am to 4:30pm  
Monday to Friday

**Telephone:** 02 9911 6555

**Facsimile:** 02 9911 6550

**Internet:** [www.canadabay.nsw.gov.au](http://www.canadabay.nsw.gov.au)

**Email:** [council@canadabay.nsw.gov.au](mailto:council@canadabay.nsw.gov.au)

**Officers****GENERAL MANAGER**

Mr. Gary Sawyer

**RESPONSIBLE ACCOUNTING OFFICER**

Mr. Bruce Cook

**PUBLIC OFFICER**

Mr. Bob Pigott

**AUDITORS**

PriceWaterhouseCoopers

**Elected Members****MAYOR**

Cr. Angelo Tsirekas

**COUNCILLORS**

Cr. Mirjana Cester

Cr. Tony Fasanella

Cr. Neil Kenzler

Cr. Helen McCaffrey

Cr. Michael Megna

Cr. Marian O'Connell

Cr. Jeanette O'Hara

Cr. Pauline Tyrell

**Other Information**

**ABN:** 79 130 029 350



**City of Canada Bay Council  
Independent Audit Report to the Council  
(Section 417(2) – report on the general purpose financial report)**

**Scope**

We have audited the financial report of **City of Canada Bay Council** for the financial year ended 30 June 2011 as set out on pages **1 to 68**. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements, nor to the projections in Note 17, or to the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

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

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

**Audit opinion**

In our opinion:

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

  
PricewaterhouseCoopers

  
P L Buchholz  
Partner

18 October 2011

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

Liability limited by a scheme approved under Professional Standards Legislation.



The Mayor  
Councillor Angelo Tsirekas  
City of Canada Bay Council  
Locked Bag 1470  
DRUMMOYNE NSW 1470

Dear Councillor Tsirekas

**Report on the conduct of the audit of The City of Canada Bay Council for year ended 30 June 2011 – Section 417(3)**

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

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

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

**Operating Result**

Council's operating result declined from a surplus of \$16.7 million in the previous year to a surplus of \$12.6 million in the current period. The reduction was mainly the result of lower capital grants and contributions (down \$5.3 million) received in the period.

**Cash Position**

Council's overall cash position increased from \$17 million to \$29 million during the period under review, as the table below demonstrates:

	June 2011 \$m	June 2010 \$m
Externally restricted	15.1	8.1
Internally restricted	6.9	4.2
Unrestricted	7.0	5.1
<b>Total</b>	<b>29.0</b>	<b>17.4</b>

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

Liability limited by a scheme approved under Professional Standards Legislation.



**Working Capital**

Council’s net current assets increased from \$3.3 million to \$13.7 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council’s available working capital.

	<b>June 2011</b>	<b>June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Net current assets	13,669	3,349
Less:		
External restrictions	15,098	7,614
Internal restrictions	6,918	4,229
	<u>(8,347)</u>	<u>(8,494)</u>
Add:		
Current liabilities to be funded from other sources	9,899	9,664
<b>Available Working Capital</b>	<u><b>1,552</b></u>	<u><b>1,170</b></u>

The Available Working Capital upon which Council could bring its 2011/12 budget was \$1.6 million.

**Performance Indicators**

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

	<b>June 2011</b>	<b>June 2010</b>
	<b>%</b>	<b>%</b>
Unrestricted current ratio	200	163
Debt service ratio	1.39	1.57
Rate coverage ratio	53	50
Rates outstanding ratio	2.20	2.43
Asset renewals ratio	65	55

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

The Debt Service Ratio improved to 1.39% of operating revenue reflecting the drop in outstanding loans from \$2.6 million to \$1.9 million. The ratio is well below the industry benchmark of 10%.

The Rate Coverage Ratio increased to 53% of total revenue, reflecting lower capital grants and contributions received during the period.

The Rates Outstanding Ratio improved to 2.2% of collectibles and remains better than the industry benchmark of 5%.

The Asset Renewal Ratio indicates that key infrastructure is being renewed at 65% of the rate at which it is depreciating.

Council is considered to be in a sound and stable financial position. All indicators stand better than accepted industry benchmarks.



***Revaluations***

Council revalued a number of asset classes in accordance with the Division of Local Government's revaluation program. Following error corrections of \$8 million, a revaluation of \$1.46 billion was credited to the Asset Revaluation Reserve.

***General***

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner.

We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, light blue watermark of the PwC logo.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'P L Buchholz', is written over a faint, light blue watermark of the PwC logo.

P L Buchholz  
Partner  
Sydney  
18 October 2011



**FINANCIAL  
REPORT  
2010/11**

**SPECIAL PURPOSE FINANCIAL REPORT**

**For the year ended 30 June 2011**

## City of Canada Bay

### Special Purpose Financial Statements for the financial year ended 30 June 2011

---

Council has resolved that it does not operate any Business Activities as set out in the National Competition Policy and Division of Local Government Guidelines.

As a result of this resolution, Council has no Special Purpose Financial Reports which are comprised of an Income Statement and Balance Sheet by Business Activity.

---



**FINANCIAL  
REPORT  
2010/11**

**SPECIAL SCHEDULES**

**For the year ended 30 June 2011**

# City of Canada Bay

## Special Schedules

for the financial year ended 30 June 2011

### Contents

Page

#### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	7

<sup>1</sup> 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 NSW Office of Water,
  - the Department of Environment, Climate Change and Water, and
  - the Division 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 the financial activities of specific services.

## City of Canada Bay

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,977</b>	<b>2</b>	<b>9,041</b>	<b>7,066</b>
<b>Administration</b>	<b>17,738</b>	<b>5,707</b>	<b>-</b>	<b>(12,031)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	180	53	-	(127)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	828	1,255	-	427
Animal Control	7	23	-	16
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	<b>1,015</b>	<b>1,331</b>	<b>-</b>	<b>316</b>
<b>Health</b>	<b>186</b>	<b>131</b>	<b>-</b>	<b>(55)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	1	-	-	(1)
Other Environmental Protection	698	30	-	(668)
Solid Waste Management	9,243	11,294	-	2,051
Street Cleaning	848	-	-	(848)
Drainage	1,390	-	-	(1,390)
Stormwater Management	-	-	-	-
<b>Total Environment</b>	<b>12,180</b>	<b>11,324</b>	<b>-</b>	<b>(856)</b>
<b>Community Services and Education</b>				
Administration & Education	374	16	-	(358)
Social Protection (Welfare)	193	83	-	(110)
Aged Persons and Disabled	493	264	-	(229)
Childrens Services	1,232	1,265	85	118
<b>Total Community Services &amp; Education</b>	<b>2,292</b>	<b>1,628</b>	<b>85</b>	<b>(579)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	298	-	-	(298)
Street Lighting	1,139	150	-	(989)
Town Planning	1,773	1,725	-	(48)
Other Community Amenities	2,535	-	-	(2,535)
<b>Total Housing and Community Amenities</b>	<b>5,745</b>	<b>1,875</b>	<b>-</b>	<b>(3,870)</b>
<b>Water Supplies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sewerage Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## City of Canada Bay

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	2,045	243	33	(1,769)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	220	188	-	(32)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	456	306	-	(150)
Sporting Grounds and Venues	1,413	209	935	(269)
Swimming Pools	170	-	27	(143)
Parks & Gardens (Lakes)	1,191	66	92	(1,033)
Other Sport and Recreation	4,042	3,978	731	667
<b>Total Recreation and Culture</b>	<b>9,537</b>	<b>4,990</b>	<b>1,818</b>	<b>(2,729)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	753	398	-	(355)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>753</b>	<b>398</b>	-	<b>(355)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	6,257	245	1,182	(4,830)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	1	-	-	(1)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	5	-	-	(5)
Footpaths	1,260	-	-	(1,260)
Aerodromes	-	-	-	-
Other Transport & Communication	1,387	1,190	50	(147)
<b>Total Transport and Communication</b>	<b>8,910</b>	<b>1,435</b>	<b>1,232</b>	<b>(6,243)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	830	1,081	-	251
<b>Total Economic Affairs</b>	<b>830</b>	<b>1,081</b>	-	<b>251</b>
<b>Totals – Functions</b>	<b>61,163</b>	<b>29,902</b>	<b>12,176</b>	<b>(19,085)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>31,688</b>		<b>31,688</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>61,163</b>	<b>61,590</b>	<b>12,176</b>	<b>12,603</b>

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

# City of Canada Bay

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the 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 the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	696	1,885	<b>2,581</b>	-	696	-	-	135	737	1,148	<b>1,885</b>
Other	-	-	-							-	-
<b>Total Loans</b>	<b>696</b>	<b>1,885</b>	<b>2,581</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>135</b>	<b>737</b>	<b>1,148</b>	<b>1,885</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>696</b>	<b>1,885</b>	<b>2,581</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>135</b>	<b>737</b>	<b>1,148</b>	<b>1,885</b>

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** (which are reported in the GPFS).





## City of Canada Bay

## Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual <sup>(1)</sup> 10/11	Forecast 11/12	Forecast 12/13	Forecast <sup>(3)</sup> 13/14	Forecast <sup>(3)</sup> 14/15
<b>(i) RECURRENT BUDGET</b>					
Income from continuing operations	73,766	68,663	68,131	68,441	70,842
Expenses from continuing operations	61,163	63,035	64,861	66,761	68,762
<b>Operating Result from Continuing Operations</b>	<b><u>12,603</u></b>	<b><u>5,628</u></b>	<b><u>3,270</u></b>	<b><u>1,680</u></b>	<b><u>2,080</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	6,440	17,020	5,909	4,739	3,722
Replacement/Refurbishment of Existing Assets	5,380	2,000	2,132	2,000	2,000
<b>Total Capital Budget</b>	<b><u>11,820</u></b>	<b><u>19,020</u></b>	<b><u>8,041</u></b>	<b><u>6,739</u></b>	<b><u>5,722</u></b>
<b>Funded by:</b>					
– Loans	-	-	-	-	-
– Asset sales	937	938	938	938	938
– Reserves	3,433	10,558	1,980	-	-
– Grants/Contributions	4,605	5,699	3,446	3,532	3,621
– Recurrent revenue	2,845	1,825	1,677	2,269	1,163
– Other	-	-	-	-	-
	<b><u>11,820</u></b>	<b><u>19,020</u></b>	<b><u>8,041</u></b>	<b><u>6,739</u></b>	<b><u>5,722</u></b>

**Notes:**

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.