

Annual statements of accounts for year ended 30 June 2008



*A vibrant, welcoming and inspiring
place to live, work & play*

WAVERLEY COUNCIL

General Purpose Financial Reports for the year ended 30th June 2008

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WAVERLEY COUNCIL

GENERAL PURPOSE FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached General Purpose Financial Report has been prepared in accordance with

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

To the best of our knowledge and belief, this report:

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

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

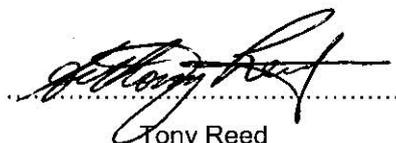
Signed in accordance with a resolution of Council made on 7th October, 2008.



MAYOR



COUNCILLOR



Tony Reed

GENERAL MANAGER



Michael Mamo

RESPONSIBLE ACCOUNTING OFFICER

WAVERLEY COUNCIL
INCOME STATEMENT
for the year ended 30th June 2008

Budget 2008 \$'000		Notes	Actual 2008 \$'000	Actual 2007 \$'000
INCOME				
<i>Revenue:</i>				
34,787	Rates & Annual Charges	3	34,817	33,904
22,884	User Charges & Fees	3	25,035	22,479
3,174	Interest and Investment Revenue	3	-	4,423
13,835	Other Revenues	3	49,956	13,978
6,657	Grants & Contributions - Operating	3	5,927	5,865
2,737	Grants & Contributions - Capital	3	4,194	2,296
<i>Other Income:</i>				
-	Net gain from the disposal of assets	5	64	7,792
<u>84,074</u>	Total income from continuing operations		<u>119,993</u>	<u>90,737</u>
EXPENSES				
42,409	Employee benefits and on-costs	4	39,985	37,800
19,439	Materials & Contracts	4	17,866	17,753
672	Borrowing Costs	4	577	633
7,550	Depreciation & Amortisation	4	7,432	7,343
12,826	Other Expenses	4	13,067	11,627
-	Interest and Investment Losses	3	103	-
-	Share of interests in joint ventures and associates using the equity method	19	-	156
<u>82,896</u>	Total expenses from continuing operations		<u>79,030</u>	<u>75,312</u>
1,178	Operating result from continuing operations		40,963	15,425
<u>1,178</u>	Net operating result for the year		<u>40,963</u>	<u>15,425</u>
	Attributable to:			
1,178	WAVERLEY COUNCIL		40,963	15,425
<u>(1,559)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>\$ 36,769</u>	<u>\$ 13,129</u>

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

WAVERLEY COUNCIL

BALANCE SHEET as at 30th June 2008

	<u>Notes</u>	Actual 2008 \$'000	Actual 2007 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	24,906	18,971
Investments	6	15,535	19,383
Receivables	7	6,939	6,448
Inventories	8	146	97
Other	8	476	538
Non-current assets held for sale	22	-	743
TOTAL CURRENT ASSETS		48,002	46,180
NON-CURRENT ASSETS			
Investments	6	9,332	12,035
Receivables	7	1,282	1,691
Infrastructure, Property, Plant & Equipment	9	1,086,255	971,836
Investment Property	14	118,645	81,252
TOTAL NON-CURRENT ASSETS		1,215,514	1,066,814
TOTAL ASSETS		1,263,516	1,112,994
CURRENT LIABILITIES			
Payables	10	10,484	9,619
Borrowings	10	1,421	1,467
Provisions	10	16,525	15,977
TOTAL CURRENT LIABILITIES		28,430	27,063
NON-CURRENT LIABILITIES			
Borrowings	10	7,094	8,515
Provisions	10	341	121
TOTAL NON CURRENT LIABILITIES		7,435	8,636
TOTAL LIABILITIES		35,865	35,699
NET ASSETS		\$ 1,227,651	1,077,295
EQUITY			
Retained Earnings	20	1,118,258	1,077,295
Revaluation Reserves	20	109,393	-
Council Equity Interest		1,227,651	1,077,295
TOTAL EQUITY		\$ 1,227,651	\$ 1,077,295

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

WAVERLEY COUNCIL
STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2008

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Total Interest Equity
2008					
Opening Balance (as per Last Year's Audited Accounts)		1,096,037		- 1,096,037	- 1,096,037
a. Correction of Prior Period Errors	20 (c)	(18,742)		(18,742)	- (18,742)
b. Changes in Accounting Policies (prior year effects)		-		-	-
Revised Opening Balance (as at 1/7/07)		<u>1,077,295</u>		<u>- 1,077,295</u>	<u>- 1,077,295</u>
c. Current Year Income & Expenses Recognised direct to Equity					
- Transfers to/(from) Asset Revaluation Reserve	20b (i)		109,393	109,393	109,393
- Transfers to/(from) Other Reserves	20b (i)		-	-	-
- Other Income/Expenses recognised	20b (i)		-	-	-
- Other Adjustments	20b (i)		-	-	-
c. Net Income Recognised Directly in Equity		<u>-</u>	<u>109,393</u>	<u>109,393</u>	<u>- 109,393</u>
d. Net Operating Result for the Year		<u>40,963</u>		<u>40,963</u>	<u>40,963</u>
Total Recognised Income & Expenses		<u>40,963</u>	<u>109,393</u>	<u>150,356</u>	<u>- 150,356</u>
e. Distributions to/(Contributions from) Minority Interests		-		-	-
f. Transfers between Equity		-		-	-
Equity - Balance at end of the reporting period		<u>1,118,258</u>	<u>109,393</u>	<u>1,227,651</u>	<u>- 1,227,651</u>
2007					
Opening Balance (as per Last Year's Audited Accounts)		1,080,612		- 1,080,612	- 1,080,612
a. Correction of Prior Period Errors	20 (c)	(18,742)		(18,742)	- (18,742)
b. Changes in Accounting Policies (prior year effects)		-		-	-
Revised Opening Balance (as at 1/7/06)		<u>1,061,870</u>		<u>- 1,061,870</u>	<u>- 1,061,870</u>
c. Current Year Income & Expenses Recognised direct to Equity					
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	-	-	-
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-
c. Net Income Recognised Directly in Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
d. Net Operating Result for the Year		<u>15,425</u>		<u>- 15,425</u>	<u>- 15,425</u>
Total Recognised Income & Expenses		<u>15,425</u>	<u>-</u>	<u>15,425</u>	<u>- 15,425</u>
e. Distributions to/(Contributions from) Minority Interests		-		-	-
f. Transfers between Equity		-		-	-
Equity - Balance at end of the reporting period		<u>1,077,295</u>	<u>-</u>	<u>- 1,077,295</u>	<u>- 1,077,295</u>

This above Statement should be read in conjunction with the accompanying notes.

WAVERLEY COUNCIL
CASH FLOW STATEMENT
for the year ended 30th June 2008

Budget 2008 \$'000		Notes	Actual 2008 \$'000	Actual 2007 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>Receipts:</u>			
34,728	Rates & Annual Charges		34,758	33,821
25,152	User Charges & Fees		27,303	24,075
3,174	Investment revenue & interest		2,524	2,577
(23,029)	Other Operating Receipts		13,092	17,322
11,554	Grants & Contributions		10,824	7,026
	<u>Payments:</u>			
(36,767)	Employee Costs		(39,191)	(36,753)
(16,965)	Materials & Contracts		(18,538)	(18,680)
(505)	Borrowing Costs		(600)	(638)
(14,853)	Other Operating Payments		(14,612)	(14,270)
(17,511)	Net Cash provided by (or used in) Operating Activities	11	15,560	14,480
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts:</u>			
	Proceeds from sale of Infrastructure, Property, Plant & Equipment	5	22	8,970
	Proceeds from sale of Investment Property	5	785	1,655
	Proceeds from sale of Real Estate	5	-	
	Proceeds from sale of Investment Securities	6	17,371	2,288
	Repayments from Deferred Debtors			
	Contributions to joint ventures by minority interests	19		
	Distribution received from associated entities	19		
	<u>Payments:</u>			
(11,909)	Purchase of Infrastructure, Property, Plant & Equipment		(12,808)	(14,887)
	Purchase of Investment Property			
	Purchase of Real Estate			
	Purchase of Investment Securities		(13,528)	(3,919)
	Loans to Deferred Debtors			
	Distributions from joint ventures to minority interests	19		
	Capital contributed to associated entities	19		
(11,909)	Net Cash provided by (or used in) Investing Activities		(8,158)	(5,893)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts:</u>			
-	Borrowings & Advances		-	2,000
	<u>Payments:</u>			
(1,467)	Repayments of Borrowings & Advances		(1,467)	(1,629)
	Repayment of Finance Lease Liabilities			
(1,467)	Net Cash provided by (or used in) Financing Activities		(1,467)	371
(30,887)	Net Increase (Decrease) in cash and cash equivalents		5,935	8,958
18,971	Cash and cash equivalents at beginning of reporting period	11	18,971	10,013
(11,916)	Cash and cash equivalents at end of reporting period	11	24,906	18,971

This above Cash Flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This General Purpose Financial report has been prepared in accordance with:

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

AAS27

Waverley Council is required to comply with AAS 27 *Financial Reporting* by Local Government, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Rates, annual charges, grants and contributions

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

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

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

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

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

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

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User charges and fees

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

A provision for doubtful debt is recognised when collection in full is no longer probable.

Sale of plant, property, infrastructure and equipment

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

Interest and rents

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

(c) Principles of consolidation

(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:

- Council's General Purpose Operations

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

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. 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:
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the jointly venture are set out in Note 19.
- Jointly controlled entities:
The interest in a joint venture partnership is accounted for using the equity method and is carried at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in

the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in Note 19.

(d) Leases

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

(i) Finance Leases:

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(ii) 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) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for 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 the Council such as roads, drains, public buildings and the like-value in use is represented by the assets written down replacement cost.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the

Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are 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.

(ii) 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) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The exception to this is plant and motor vehicles which are turned over on a regular basis – these are retained in property, plant and equipment.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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

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

(k) Investments and other financial assets

Classification

Council classifies its investments in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 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. Loans and receivables are included in receivables in the balance sheet.

(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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. 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, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of the market inputs and relying as little as possible on entity-specific inputs.

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 as an indicator that the securities are 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 or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG(General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies 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.

(l) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(m) Infrastructure, property, plant and equipment

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational Land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Plant and Equipment (as approximated by depreciated historical cost).

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

- 2008-09: Roads, bridges, footpaths & drainage, land improvements, other structures & other assets.
- 2009-10: Community Land

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	5 – 10 years	Pumps and telemetry	15 – 20 years
Office furniture	10 – 20 years	Drains	80 – 100 years
Vehicles and road making equipment	5 – 8 years	Culverts	50 – 80 years
Other plant and equipment	5 – 15 years	Flood control structures	80 – 100 years
Buildings – Masonry	50 – 100 years	Sealed roads – Surface	20 years
Buildings – Other	20 – 40 years	Sealed roads – Structure	50 years
Playground equipment	5 – 15 years	Unsealed roads	20 years
Benches, seats etc	10 – 20 years	Bridge – Concrete	100 years
Bores	20 – 40 years	Bridge – Other	25 – 75 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Investment property is carried at fair value, representing open-market value determined by external valuers. Changes in fair values are recorded in the income statement as part of other income. Full revaluations are carried out every three years with an appropriate index used every year between the full revaluations.

(o) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(q) Borrowing cost

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

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

(r) Provisions

Provisions for legal claims and service warranties are recognised when: the 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.

(s) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(iii) Gratuities

Under the current enterprise agreement Gratuities are accrued at two weeks per year of service for each employee who has attained nineteen or more year's service. Those employees who have been with Council between ten to nineteen years service have accrued on a pro-rata basis a number of weeks based on the number of full years service multiplied by one tenth, these accrued weeks are then paid out once an employee retires or resigns after serving fifteen years service.

(v) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

Council is party to "The Local Government Superannuation Scheme – Pool B (the scheme). The Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all Councils. Accordingly, Council's contributions to the Scheme have been recognised as an expense and disclosed as part of Superannuation Expenses in Note 4. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. This valuation found that the Scheme's assets were \$3,291.1million and its past service liabilities \$2,980.3million, giving it a surplus of \$310.8million. The existence of this surplus has resulted in Councils contributing in 2007/2008 at half the normal level of contributions. The financial position is monitored annually and as a result of subsequent investment market conditions Councils will be required to contribute at the full 'notional' contribution rate from 1 July 2008."

The Local Government Superannuation Scheme has advised that it is unable to provide individual councils with an accurate split of their share of the Scheme's assets and liabilities and so no asset or liability is recognised.

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.

(t) Rounding of amounts

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

(u) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available in the transitional provisions of AASB 1045. These provisions allow deferral of recognition until the new standard for land under roads (AASB 1051) becomes applicable (1 July 2008).

(v) Insurance Pools

The Council is a partner in an insurance pool known as Premsure, shown in Note 19.

(w) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(x) Land

Land is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This is disclosed in Note 9(a).

(y) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- ***Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 further Amendments to Australian Accounting Standards arising from AASB 101:***
The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in financial statements.

If Council has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period.

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

Land under roads acquired after 30 June 2008 must be recognised.

This Standard will have a significant impact on the Council's financial statements.

- ***AASB 1052 Disaggregated Disclosures:***
AASB 1052 requires disclosure of financial information by function or activity.

Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

- ***Revised AASB 1004 Contributions:***

AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

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

- ***AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31:***

Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies to AIFRS (but with AAS 27 taking precedence).

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

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 2(a) - FUNCTIONS

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2008	2007	2008	2007
	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
GOVERNANCE	-	-	-	689	689	666	(689)	(689)	(666)	-	-	-	-
ADMINISTRATION	1,919	1,439	1,092	17,187	15,193	13,660	(15,268)	(13,754)	(12,568)	3	1	76,812	67,661
PUBLIC ORDER & SAFETY	1,416	1,174	1,459	3,811	4,096	3,728	(2,395)	(2,922)	(2,269)	-	-	25,628	22,575
HEALTH	218	248	213	1,526	1,508	1,330	(1,308)	(1,260)	(1,117)	-	-	2,426	2,137
COMMUNITY SERVICES & EDUCATION	5,474	4,676	5,461	8,537	8,107	8,127	(3,063)	(3,431)	(2,666)	1,857	1,973	26,875	23,673
HOUSING & COMMUNITY AMENITIES	15,164	17,995	16,227	20,510	20,660	19,042	(5,346)	(2,665)	(2,815)	312	186	215,282	189,636
WATER SUPPLIES	-	-	-	-	-	-	-	-	-	-	-	-	-
SEWERAGE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-
RECREATION & CULTURE	2,259	2,247	2,082	12,194	12,112	12,014	(9,935)	(9,865)	(9,932)	380	274	634,512	558,923
FUEL & ENERGY	-	-	-	-	-	-	-	-	-	-	-	-	-
MINING, MANUFACTURING & CONSTRUCTION	357	279	288	597	575	731	(240)	(296)	(443)	-	-	16	14
TRANSPORT & COMMUNICATION	26,109	25,939	23,931	17,097	15,280	15,262	9,012	10,659	8,669	1,770	1,019	276,483	243,546
ECONOMIC AFFAIRS	2,422	39,875	9,830	748	810	752	1,674	39,065	9,078	-	-	5,482	4,829
TOTALS - FUNCTIONS	55,338	93,872	60,583	82,896	79,030	75,312	(27,558)	14,842	(14,729)	4,322	3,453	1,263,516	1,112,994
GENERAL PURPOSE REVENUES	28,736	26,121	30,154				28,736	26,121	30,154	2,135	2,157		
TOTALS	84,074	119,993	90,737	82,896	79,030	75,312	1,178	40,963	15,425	6,457	5,610	1,263,516	1,112,994

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 2(b) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Governance

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

Administration

Corporate support, engineering and works and other support services.

Public Order & Safety

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

Health

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

Community Services & Education

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

Housing & Community Amenities

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

Recreation & Culture

Public libraries, other cultural services, swimming pools, sporting grounds, parks and gardens, other sport and recreation.

Mining, Manufacturing & Construction

Building control.

Transport & Communication

Urban roads, footpaths, parking areas, bus shelters and services, works undertaken for Roads & Traffic Authority, street lighting, other.

Economic Affairs

Tourism and area promotion, other business undertakings.

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME FROM CONTINUING OPERATIONS

RATES & ANNUAL CHARGES	2008	2007
	\$'000	\$'000
<u>Ordinary Rates</u>		
Residential	17,395	16,718
Business	<u>6,815</u>	<u>6,654</u>
	<u>24,210</u>	<u>23,372</u>
<u>Special Rates</u>		
Environmental Levy	<u>872</u>	<u>842</u>
	<u>872</u>	<u>842</u>
<u>Annual Charges</u>		
Domestic Waste Management	<u>9,735</u>	<u>9,690</u>
	<u>9,735</u>	<u>9,690</u>
Total Rates & Annual Charges	<u>34,817</u>	<u>33,904</u>
USER CHARGES & FEES		
<u>User Charges</u>		
Other Waste Management	1,627	1,607
Park Rentals	720	631
Child Care Fees	1,898	1,735
Bus Shelter Fees	1,090	954
Other	<u>696</u>	<u>516</u>
	<u>6,031</u>	<u>5,443</u>
<u>Fees</u>		
Planning and Building	2,247	1,717
Cemeteries	852	941
Rent & Hire of Non-Investment Property	2,704	2,623
Rent & Hire of Investment Property	1,900	1,817
Admission and Service Fees	191	194
Hoarding/Crane Permits	454	264
Car Parking Fees	4,583	4,001
Parking Meter Fees	5,721	5,290
Other	<u>352</u>	<u>189</u>
	<u>19,004</u>	<u>17,036</u>
Total User Charges & Fees	<u>25,035</u>	<u>22,479</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 3 - INCOME FROM CONTINUING OPERATIONS (continued)

	2008	2007
	\$'000	\$'000
INTEREST AND INVESTMENT REVENUE (incl. losses)		
Interest on overdue rates & charges	99	83
Interest on cash assets & investments		
On Externally restricted assets	137	110
On Internally restricted assets	2,222	2,301
On Unrestricted assets	147	98
Net Capital Gains/(Losses) on Investments Held at Fair Value	(2,708)	1,831
Amortisation of discounts and premiums	-	-
Gross Investment Revenues	<u>(103)</u>	<u>4,423</u>
capitalised borrowing costs	-	
Total Interest & Investment Revenue (incl. losses)	<u>(103)</u>	<u>4,423</u>
 OTHER REVENUES		
Ex gratia payments in lieu of Rates	14	14
Fair value adjustments - investment property	37,393	-
Fines	11,130	11,886
Insurance Claims	166	98
Legal Fees Recovery (Rates)	26	10
Recycling Income (Non domestic)	405	372
Sales - General	9	10
Training & Employment - Waverley Works	281	1,055
Other	532	533
Total Other Revenues	<u>49,956</u>	<u>13,978</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 3 - INCOME FROM CONTINUING OPERATIONS (continued)

	<u>Notes</u>	OPERATING		CAPITAL	
		2008	2007	2008	2007
GRANTS		\$'000	\$'000	\$'000	\$'000
General Purpose (Untied)					
Financial Assistance		1,927	1,946	-	-
Pensioner Rates Subsidies (General)		208	211		
Specific Purpose					
Pensioner Rates Subsidies					
Domestic Waste Management		128	134	-	-
Roads & Bridges		-	-	1,618	871
Employment & Training Programs		3	1	-	-
Community Care Services		593	698	-	-
Recreation & Cultural Services		88	64	40	34
Library		177	176	-	-
Child Care		1,264	1,275	-	-
Street Lighting		152	148	-	-
Environmental Protection		141	-	-	-
Other		43	52	75	-
Total Grants & Subsidies		4,724	4,705	1,733	905
Comprising:					
- Commonwealth funding		2,726	3,566	1,618	852
- State funding		1,998	1,139	115	53
- Other funding		-	-	-	-
		4,724	4,705	1,733	905
CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94	17	-	-	163	152
Section 94A levies	17	-	-	1,098	730
Planning agreements	17	-	-	858	-
Other Councils - Joint Works		181	268	-	-
Car Parking		224	189	-	-
Road Restorations		676	569	290	-
Recreational & Cultural		-	-	52	465
Other		122	134	-	44
Total Contributions & Donations		1,203	1,160	2,461	1,391
TOTAL GRANTS & CONTRIBUTIONS		5,927	5,865	4,194	2,296

WAVERLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008

Note 3 - INCOME FROM CONTINUING OPERATIONS (continued)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2008		2007	
	\$'000		\$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	873	1,932	734	2,333
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>	-	1,803	-	862
<i>Roads Infrastructure</i>	-	-	-	-
<i>Heritage & Cultural Services</i>	-	-	-	-
<i>Community Care Services</i>	188	-	37	-
<i>Housing & Community Amenities</i>	-	-	-	-
<i>Recreational & Cultural</i>	57	-	64	-
<i>Transport & Communications</i>	402	-	482	-
<i>Other</i>	24	-	31	-
<i>Subtotal</i>	<u>671</u>	<u>1,803</u>	<u>614</u>	<u>862</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>	-	892	-	461
<i>Roads Infrastructure</i>	-	-	-	-
<i>Heritage & Cultural Services</i>	-	-	-	-
<i>Community Care Services</i>	52	-	236	-
<i>Housing & Community Amenities</i>	-	-	-	-
<i>Recreational & Cultural</i>	65	-	90	-
<i>Transport & Communications</i>	73	-	403	-
<i>Other</i>	98	-	24	-
<i>Subtotal</i>	<u>288</u>	<u>892</u>	<u>753</u>	<u>461</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>490</u>	<u>1,021</u>	<u>873</u>	<u>1,932</u>
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	<u>-383</u>	<u>-911</u>	<u>139</u>	<u>-401</u>

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 4 - EXPENSES FROM CONTINUING OPERATIONS

	2008 \$'000	2007 \$'000
EMPLOYEE COSTS		
Salaries and Wages	29,583	28,009
Travelling	108	112
Employee Leave Entitlements	5,722	5,054
Superannuation	2,905	2,646
Workers' Compensation Insurance	1,142	1,356
Fringe Benefits Tax	185	189
Training Costs (excluding Salaries)	340	434
Total Operating Employee Costs	<u>39,985</u>	<u>37,800</u>
Total Number of Employees		
Number of "Equivalent Full Time" Employees at year end	540	516
BORROWING COSTS		
Interest on Loans	574	630
Interest on Building Deposits	3	3
Total Borrowing Costs Expensed	<u>577</u>	<u>633</u>
MATERIALS & CONTRACTS		
Raw materials & consumables	9,430	9,187
Contractor and consultancy costs	5,656	5,924
Auditor's Remuneration		
- Audit Services	49	39
Legal Fees		
- Planning & Development	713	512
- Other	284	186
Operating Lease Rentals - Non-Cancellable		
- minimum lease payments	1,734	1,905
Total Materials & Contracts	<u>17,866</u>	<u>17,753</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 4 - EXPENSES FROM CONTINUING OPERATIONS (continued)

	IMPAIRMENT		DEPRECIATION	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT				
Plant and Equipment			1,232	1,138
Office Equipment			500	476
Land			-	35
Buildings				
- Specialised			372	386
- Non - Specialised			602	625
Other Structures			851	1,179
Infrastructure				
- roads, bridges & footpaths			2,282	2,246
- stormwater drainage			635	633
Other assets				
- library books			229	228
- other			729	397
Total Depreciation, Amortisation & Impairment	-	-	7,432	7,343
		2008 \$'000		2007 \$'000
OTHER EXPENSES				
Advertising		782		637
Abandonment of Fines by Office State Debt Recovery		1,320		1,125
Bank Fees & Charges		170		146
Donations & Contributions to Local & Regional Bodies		537		390
Insurances		1,204		1,168
Land tax - Crown Land		336		244
Light, Power & Heating		553		535
Mayoral Allowance		32		31
Members Fees & Allowances		174		163
Members Expenses		98		286
Payments to Other Levels of Government		1,404		1,045
Street Lighting		752		690
Subscriptions & Publications		153		172
Family Day Care Subsidy		473		419
Telephone & Communications		377		379
Water Rates & Charges		183		193
Waste Disposal Charges		3,143		2,729
Car Park Levy		89		87
Other		1,287		1,188
Total Other Expenses		13,067		11,627

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 5 - GAIN OR LOSS FROM THE DISPOSAL OF ASSETS

	Notes	2008 \$'000	2007 \$'000
DISPOSAL OF PROPERTY			
Proceeds from disposal		-	334
Less: Carrying amount of assets sold	9	-	453
Gain (Loss) on disposal		<u>-</u>	<u>(119)</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT			
Proceeds from disposal		22	136
Less: Carrying amount of assets sold	9	-	35
Gain (Loss) on disposal		<u>22</u>	<u>101</u>
DISPOSAL OF ASSETS HELD FOR SALE			
Proceeds from disposal		785	1,655
Less: Carrying amount of assets sold	21	743	1,487
Gain (Loss) on disposal		<u>42</u>	<u>168</u>
DISPOSAL OF WAVERLEY/WOOLLAHRA PROCESS PLANT			
Proceeds from disposal		-	8,500
Less: Carrying amount of assets sold		-	858
Gain (Loss) on disposal		<u>-</u>	<u>7,642</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS		<u>64</u>	<u>7,792</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 6(a) - CASH AND CASH EQUIVALENTS

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	2,934		2,400	
Deposits at Call	7,472		14,921	
Short Term Deposits & Bills, etc	<u>14,500</u>		<u>1,650</u>	
Total Cash Assets	<u>24,906</u>		<u>18,971</u>	

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

Note 6(b) - INVESTMENT SECURITIES

INVESTMENT SECURITIES

Summary

Financial assets at fair value through	15,535	9,332	15,483	12,035
Held to maturity investments	-	-	3,900	-
Total	<u>15,535</u>	<u>9,332</u>	<u>19,383</u>	<u>12,035</u>

Financial assets at fair value through profit and loss

At beginning of year	15,483	12,035	13,792	2,264
Revaluation to Income Statement	(5)	(2,703)	1,819	12
Additions	13,528	-	2,160	1,759
Transfer From held To maturity		-		8,000
Disposals	<u>(13,471)</u>	<u>-</u>	<u>(2,288)</u>	<u>-</u>
At end of year	<u>15,535</u>	<u>9,332</u>	<u>15,483</u>	<u>12,035</u>

Held for trading:

- Managed Funds	13,528		13,471	
- Growth Securities	1,007	9,332	2,012	12,035
- Equity linked notes	<u>1,000</u>			
	<u>15,535</u>	<u>9,332</u>	<u>15,483</u>	<u>12,035</u>

Held to Maturity Investments

At beginning of year	3,900	-	-	11,900
Disposals	(3,900)			
Transfer to Held at fair Value				(8,000)
Transfers Current/Non-current	-		3,900	(3,900)
At end of year	<u>-</u>	<u>-</u>	<u>3,900</u>	<u>-</u>

Comprising:

- Other	-		3,900	
	<u>-</u>	<u>-</u>	<u>3,900</u>	<u>-</u>

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 6(c) - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

	2008 \$'000		2007 \$'000	
	Current	Non-Current	Current	Non-Current
Cash Assets	24,906		18,971	
Investment Securities	15,535	9,332	19,383	12,035
TOTAL CASH ASSETS & INVESTMENT SECURITIES	40,441	9,332	38,354	12,035
External Restrictions	4,770	4,000	5,519	4,000
Internal Restrictions	33,903	5,332	29,791	8,035
Unrestricted	1,768	-	3,044	-
	40,441	9,332	38,354	12,035

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2007	Movements		Closing Balance 30 June 2008
			Transfers To Restriction	Transfers From Restriction	
		\$'000	\$'000	\$'000	\$'000
External Restrictions					
Developer Contributions	17	1,932	2,256	3,167	1,021
Unexpended Grants		873	506	889	490
Environmental Levy		179	391	247	323
Domestic Waste Management		6,535	936	535	6,936
		9,519	4,089	4,838	8,770
Total External Restrictions		9,519	4,089	4,838	8,770

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	3,220	153	-	3,373
Replacement - Plant & Vehicles	2,174	581	115	2,640
Office Equipment	268	255	146	377
Sinking Funds	160	-	-	160
Other	3,289	668	744	3,213
Deposits & Bonds	4,312	509	-	4,821
Sale of Properties	336	-	18	318
Future Loan Repayments	354	-	-	354
Insurance Claims	463	50	15	498
Parking Meters	318	270	49	539
Parking	242	10	-	252
Capital Works S94 Recovered	693	-	536	157
Property Maintenance	1,336	500	92	1,744
Street Tree (Sewer) Aerial Bundling	232	20	-	252
Affordable Housing	289	179	-	468
Drains Condition/Construction	615	97	60	652
Infrastructure	7,135	158	1,200	6,093
Future Capital Works	-	2,592	-	2,592
Unexpended Loans	2,191	-	773	1,418
Urban & Local Roads	218	-	218	-
Carry Over Works	-	76	-	76
Workers Compensation	190	-	-	190
Cemetery Funds	1,148	42	65	1,125
Investment Strategy	8,643	785	1,505	7,923
Total Internal Restrictions	37,826	6,945	5,536	39,235

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 7 - RECEIVABLES

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	869	143	813	140
Interest & Extra Charges	111	82	85	80
User Charges & Fees	538		977	
Other levels of Government	262		79	
Interest on Investments	334		253	
Parking Fines	3,844	2,328	3,693	2,653
GST	459		-	
Other	653		624	
Total	7,070	2,553	6,524	2,873
Less: Allowance for Doubtful Debts				
User Charges & Fees	131		76	
Parking Fines		1,271		1,182
Total Receivables	6,939	1,282	6,448	1,691

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 10.00% (2007: 10.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Parking Fines

Parking Fines issued by Council's Officers are accrued on a yearly basis. There is a provision allowed for as Doubtful Debts based on previous years history. Council does not itself collect these fines as they are processed by the Office of State Debt Recovery, who may write off a number of fines without notifying council, these fines are accounted for as bad debt write offs.

Other levels of Government

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

Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 8 - INVENTORIES & OTHER ASSETS

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	146	-	97	-
Total Inventories	146	-	97	-

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

OTHER ASSETS

Prepayments	476	-	380	-
Waverley Woollahara Process Plant	-	-	158	-
Total Other Assets	476	-	538	-

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 9(a) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2007			CARRYING AMOUNT MOVEMENTS DURING YEAR				2008			
	\$'000			\$'000				\$'000			
	AT	ACCUM	CARRYING	Asset	Depreciation	Transfers/	Revaluation	AT	AT	ACCUM	CARRYING
COST	DEPN	AMOUNT	ADDITIONS	Expense	Adjustments	to Equity (ARR)	COST	FAIR VALUE	DEPN	AMOUNT	
Capital Work-in-progress	-	-	-	213	-	-	-	213	-	-	213
Plant & Equipment	10,413	5,850	4,563	933	1,232	28	-	-	11,374	7,082	4,292
Office Equipment	8,387	5,976	2,411	154	500	(3)	-	-	8,538	6,476	2,062
Land (incl. Land Improvements)											
- Operational Land	24,851	-	24,851	-	-	(1,975)	63,955	-	86,831	-	86,831
- Community Land	685,265	-	685,265	529	-	1,975	-	687,769	-	-	687,769
Buildings											
- Specialised	37,624	17,148	20,476	1,097	372	(29)	19,347	-	74,048	33,529	40,519
- Non - Specialised	45,872	13,093	32,779	1,370	602	1	26,091	-	83,984	24,345	59,639
Other Structures	17,300	13,373	3,927	852	851	(5)	-	18,147	-	14,224	3,923
Infrastructure											
- Roads, bridges, footpaths	228,357	79,217	149,140	6,775	2,282	9	-	235,141	-	81,499	153,642
- Stormwater drainage	63,513	24,912	38,601	277	635	-	-	63,790	-	25,547	38,243
Other Assets											
- Library Books	5,158	3,996	1,162	203	229	1	-	5,362	-	4,225	1,137
- Other	11,259	2,598	8,661	55	729	(2)	-	11,312	-	3,327	7,985
Totals	1,137,999	166,163	971,836	12,458	7,432	-	109,393	1,021,734	264,775	200,254	1,086,255

Asset acquisitions were apportioned between:

Renewals - Operating Assets	693
Renewals - Infrastructure Assets	6,570
New Assets	5,195

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 9(b) - RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2008 \$'000				2007 \$'000		
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	AT COST	ACCUM DEPN	CARRYING AMOUNT
Domestic Waste Management							
Plant & Equipment		6,787	4,647	2,140	6,787	3,769	3,018
Total Domestic Waste	-	6,787	4,647	2,140	6,787	3,769	3,018
TOTAL RESTRICTIONS	-	6,787	4,647	2,140	6,787	3,769	3,018

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 10 - PAYABLES, BORROWINGS AND PROVISIONS

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	3,315	-	2,135	-
Goods & Services - Capital	1,140	-	1,490	-
Payments received in advance	500	-	731	-
Accrued Expenses - Wages & Salaries	465	-	312	-
Accrued Expenses - Interest On Loans	120	-	143	-
Accrued Expenses - Other	62	-	72	-
Builders Deposits	4,340	-	3,906	-
Deposits, Retentions & Bonds	481	-	406	-
GST	-	-	365	-
Other	61	-	59	-
Total Payables	10,484	-	9,619	-
BORROWINGS				
Bank Overdraft			-	
Loans	1,421	7,094	1,467	8,515
Total Borrowings	1,421	7,094	1,467	8,515

All interest bearing liabilities are secured over the future revenues of the Council.

PROVISIONS				
Annual Leave	3,318	-	3,354	-
Sick Leave	2,902	-	2,934	-
Long Service Leave	5,652	341	5,374	121
Time Off In Lieu	105	-	84	-
Gratuities	4,548	-	4,231	-
Total Provisions	16,525	341	15,977	121

The following liabilities, although classified as current, are not expected to be paid within the next 12 months

Deposits, Retentions and Bonds	3,134	2,803
Employee Leave Provisions	11,624	11,992
	14,758	14,795

Description of and Movements in Provisions (\$000's)

	Opening Balance	Increases in Provision	Payments	Closing Balance
	2007			2008
Annual Leave	3,354	2,351	2,387	3,318
Sick Leave	2,934	363	395	2,902
Long Service Leave	5,495	1,274	776	5,993
Time Off in Lieu	84	8	13	105
Gratuities	4,231	811	494	4,548
Total:	16,098	4,807	4,065	16,866

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 11 - RECONCILIATION OF CASH FLOW MOVEMENTS

	Notes	2008 \$'000	2007 \$'000
(a) Reconciliation of Cash			
Total Cash Assets	6	<u>24,906</u>	<u>18,971</u>
Balances per Cash Flow Statement		<u>24,906</u>	<u>18,971</u>
(b) Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Operating Result from Income Statement		40,963	15,425
Adjust for non cash items:			
Depreciation, Amortisation & Impairment	4	7,432	7,343
Losses/(Gains) on Investments at fair value or Held fo	3	2,708	(1,831)
Fair value adjustments to investment property	14	(37,393)	-
Net Losses/(Gains) on Disposal of Assets		(64)	(7,792)
Equity Share in Loss in Associates		-	156
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables	7	(226)	(968)
Increase/(Decrease) in Provision for Doubtful Debts	7	144	99
Decrease/(Increase) in Inventories	8	(49)	25
Decrease/(Increase) in Other Current Assets	8	62	38
Operating Payable Changes:			
Increase/(Decrease) in accrued Interest Payable	10	(23)	-
Increase/(Decrease) in other accrued Expenses Paya	10	(10)	(76)
Increase/(Decrease) in Other Payables	10	1,182	1,033
Increase/(Decrease) in Other Current Liabilities	10	(87)	-
Increase/(Decrease) in Staff Salary & Wages Payable	10	153	-
Increase/(Decrease) in Employee Leave Entitlements	10	768	1,028
Net Cash provided by (or used in) operations		<u>15,560</u>	<u>14,480</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 11 - RECONCILIATION OF CASH FLOW MOVEMENTS (continued)

	2008	2007
	\$'000	\$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction		
- Bushfire Grants		
- Developer Contributions received in kind		
- Non-cash issues of Shares in Other Companies		
- Estimated future reinstatement, etc costs		
- Other	<u> </u>	<u> </u>
	-	-
- Finance Leases		
- Land taken over for non-payment of Rates	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	250	-
Corporate Credit Cards	22	-

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

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 12 - COMMITMENTS FOR EXPENDITURE

	2008	2007
	\$'000	\$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Infrastructure	1,186	-
Buildings	496	92
Plant & Equipment	290	-
	1,972	92
These expenditures are payable:		
Not later than one year	1,972	92
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	1,972	92

Commitments for Capital Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(b) Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	256	-
	256	-
These expenditures are payable:		
Not later than one year	48	-
Later than one year and not later than 5 years	208	-
Later than 5 years	-	-
	256	-

Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 12 - COMMITMENTS FOR EXPENDITURE (continued)

	2008	2007
	\$'000	\$'000
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	770	1,513
Later than one year and not later than 5 years	545	2,664
Later than 5 years	-	-
	1,315	4,177

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment. Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods. No lease imposes any additional restrictions on Council in relation to additional debt or further leasing. Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased. No lease contains any escalation clause.

Commitments for Operating Lease Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(e) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	786	1,030
Later than one year and not later than 5 years	1,791	4,145
Later than 5 years	-	-
	2,577	5,175

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008

Note 13 - STATEMENT OF PERFORMANCE MEASURES

	<u>2008</u>				
	<u>Amounts</u>	<u>Indicators</u>	2007	2006	2005
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$43,232	3.16:1	3.31:1	2.94:1	3.32:1
Current Liabilities not relating to Restricted Assets	\$13,672				
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$2,044	1.82%	2.67%	3.63%	3.52%
Operating Revenue	\$112,007				
Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$34,817	29.02%	37.37%	38.55%	41.35%
Total Revenues	\$119,993				
Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$1,205	3.34%	3.19%	3.04%	2.74%
Rates & Annual Charges Collectible	\$36,060				
Building & Infrastructure Renewals Ratio					
<u>Asset renewals (Building and Infrastructure Depreciation, Amortisation, Impairment (Building and Infrastructure))</u>	\$6,570	169.0%			
	\$3,891				<i>New ratio introduced 2008</i>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 14 - INVESTMENT PROPERTIES

	2008	2007
	\$'000	\$'000
At fair value		
Opening balance at 1 July	81,252	83,482
Acquisitions	-	-
Capitalised subsequent expenditure	-	-
Classified as held for sale (Note 21)	-	-743
Net gain (loss) from fair value adjustment	37,393	-
Transfer (to) from inventories or infrastructure, property, plant & equipment	-	-
Carrying value of disposals	-	-1,487
Closing balance at 30 June	<u>118,645</u>	<u>81,252</u>
 Amounts recognised in profit and loss		
Rental income	1,900	1,817
Other Income	3,286	2,800
Net gain (loss) from fair value adjustment	-	-
	<u>5,186</u>	<u>4,617</u>
Repairs, maintenance & other operating expenses		
- <i>property generating rental income</i>	-1,620	-1,597
- <i>property not generating rental income</i>	-291	-277
	<u>3,275</u>	<u>2,743</u>

Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date.

The 2008 valuation was made by Scott Fullarton Valuations Pty Ltd (ACN 003 683 878).

Contractual arrangements - see Note 12.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 15 - FINANCIAL RISK MANAGEMENT

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

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

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

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

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

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	24,906	18,971	24,906	18,971
Investments				
- "Designated At Fair Value on Initial Recognition"	24,867	27,518	24,867	27,518
- "Held to Maturity"	-	3,900	-	3,900
Receivables	8,221	8,139	8,221	8,139
Other Financial Assets	-	158	-	158
Total Financial Assets	<u>57,994</u>	<u>58,686</u>	<u>57,994</u>	<u>58,686</u>
Financial Liabilities				
Payables	10,484	9,619	10,484	9,619
Loans / Advances	8,515	9,982	8,515	9,982
Total Financial Liabilities	<u>18,999</u>	<u>19,601</u>	<u>18,999</u>	<u>19,601</u>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the Carrying Value which approximates net market value.

- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.

- **Financial Assets classified (i) "at fair value through profit & loss" or (ii) Available for Sale** - are based upon quoted market prices at the reporting date or independent valuation.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 15 - FINANCIAL RISK MANAGEMENT (continued)

**(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 Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (during the reporting period) due to a change in either the price of a financial asset or the interest rates applicable. It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2008				
Impact of a 10% movement in Market Values	2,487	2,487	-2,487	-2,487
Impact of a 1% movement in Interest Rates	249	249	-249	-249
2007				
Impact of a 10% movement in Market Values	2,752	2,752	-2,752	-2,752
Impact of a 1% movement in Interest Rates	230	230	-230	-230

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 15 - FINANCIAL RISK MANAGEMENT (continued)

(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

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:

	2008	2008	2007	2007
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Aging of Receivables				
Current (not yet overdue)	-	4,325	-	3,979
Overdue	1,205	4,093	1,118	4,300
	<u>1,205</u>	<u>8,418</u>	<u>1,118</u>	<u>8,279</u>

**(ii) Movement in Provision for Impairment
of Receivables**

	2008	2007
Balance at the beginning of the year	1,258	1,159
+ new provisions recognised during the year	144	99
- amounts already provided for & written off this year	-	-
- amounts provided for but recovered during the year	-	-
- previous impairment losses reversed	-	-
Balance at the end of the year	<u>1,402</u>	<u>1,258</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 15 - FINANCIAL RISK MANAGEMENT (continued)

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	Subject to no maturity					Total Cash Outflows	Actual Carrying Values
		1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2008								
Trade/Other Payables	10,484	-	-	-	-	-	10,484	10,484
Loans & Advances	-	3,453	3,397	2,363	1,048	141	10,402	8,515
Total Financial Liabilities	13,874	1,705	1,527	1,277	991	2,218	23,462	23,815
2007								
Trade/Other Payables	9,619	-	-	-	-	-	9,619	9,619
Loans & Advances	-	3,996	3,475	2,908	1,591	495	12,465	9,982
Total Financial Liabilities	8,972	1,808	1,571	1,464	1,198	2,544	19,484	19,484

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:

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,484		9,619	
Loans & Advances - Fixed Interest Rate	8,515	6.23%	9,982	6.23%
	<u>18,999</u>		<u>19,601</u>	

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 16 - MATERIAL BUDGET VARIATIONS

Council's original budget was incorporated as part of the Management Plan adopted by Council in June, 2007. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by Council.

This Note sets out the details of material variations between the original budget and actual results for the Income Statement. Material favourable (F) and unfavourable (U) variances amounts of 10% or more of the budget amount.

Revenues

1. Interest and Investment Revenue

Council received interest revenue of \$2.605M which was below budget by \$569K, -18% (U). Additionally, the marked to market value of Council's overall investments declined by \$2.708M from the marked to market value of \$2.047M above face value that was reported at the end of the 2006/07 Financial Year. Positive interest earnings have been offset by the notional reduction in capital gain, producing a net result for 2007/08 of -\$103K. Reductions in capital gain are notional as growth investments are protected by capital guarantees if held to maturity. No capital loss has been realised as the investments were still held by Council at 30 June 2008. At maturity the investments are expected to realise their full face value plus any growth that may accrue in the intervening period.

2. Grants & Contributions - Operating

Operating Grants & Contributions were \$730K, -11% (U) below budget. This is due to funding for various programs either being less than anticipated or withdrawn. The main variance consisted of lower than expected revenue from Waverley Works of \$814K as result of this service ceasing during the financial year.

3. Grants & Contributions - Capital

Capital Grants & Contributions were \$1.457M, 53.2% (F) above budget. This is mainly attributed to the receipting of Developer Contributions of \$2.119M and \$143K received as part of the Roads to Recovery program which were not included in the original budget. The Federal Grant funding for works carried out on Campbell Pde was \$552K less than the original 2007/08 budget due to a timing variation with part of the overall funding being received in the 2006/07 financial year.

4. Profit from Disposal of Assets

Council received \$64K (F) from it's net gain on the disposal of assets. This consisted of the net sale proceeds of \$42K from the sale of unit 8, 2A Burrows Road. This transaction was included in the 2006/07 General Purpose Financial Reports Note 20 "Non Current Assets Classified as Held for Sale". The net gain on the sale of plant & equipment was \$22K as shown in Note 5 "Gain or Loss on Disposal of Assets".

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 16 - MATERIAL BUDGET VARIATIONS (continued)

Expenses

1. Materials & Contracts

This item was \$1.573M, 8% (F) below budget. This is a reflection of less expenditure being incurred than budgeted for property maintenance (\$834K), Signage (\$229K), Infringement Processing Charges (\$163K), Minor Equipment Purchases (\$131K), Software Maintenance & Licenses (\$121K) & Property Rental (\$108K). The budget for internal plant running costs is allocated to materials & contracts where as a portion of the actual expenditure is dispersed to employee costs and other expenses. Other minor variations also existed for this item.

2. Borrowing Costs

Borrowing costs were \$95K, 14% (F). This is due to Council not acquiring any new loans during the financial year, along with lower interest rates being paid than those that were used to formulate the budget.

In addition to the above mentioned items, minor favourable and unfavourable variations occurred throughout the year in a number of revenue and expense items. All variations were monitored and were reported to Council on a quarterly basis.

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads	26			1	(27)					
Traffic Facilities	811	33		29	(873)					
Parking	306			10	(316)					
Open Space		21		1	(22)					
Community Facilities	182	104		9	(295)					
Housing										
Other		5			(5)					
Subtotal S94 under plans	1,325	163		50	(1,538)					
Sec 94 not under plans	141			4	(145)					
Sec 94A levies	337	1,098		49	(1,484)			6,790	8,021	(1,231)
Planning Agreements	129	858		34			1,021	1,200		2,221
Sec 64 Contributions										
Total Contributions	1,932	2,119		137	(3,167)		1,021			

Note: The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below.

CONTRIBUTION PLAN - 1992

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads										
Traffic Facilities										
Parking										
Open Space										
Community facilities	175			6	(181)					
Housing										
Other										
Total	175			6	(181)					

CONTRIBUTION PLAN - 1998

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads	21			1	(22)					
Traffic Facilities	762			26	(788)					
Parking	98			3	(101)					
Open Space										
Community facilities	4				(4)					
Housing										
Other										
Total	885			30	(915)					

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 17 - STATEMENT OF CONTRIBUTION PLANS (cont)

CONTRIBUTION PLAN - 2004

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads	5				(5)					
Traffic Facilities	49	33		3	(85)					
Parking	208			7	(215)					
Open Space		21		1	(22)					
Community facilities	3	104		3	(110)					
Housing										
Other		5			(5)					
Total	265	163		14	(442)					

CONTRIBUTIONS NOT UNDER PLANS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads										
Traffic Facilities										
Parking	141			4	(145)					
Open Space										
Community facilities										
Housing										
Other										
Total	141			4	(145)					

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 18 - CONTINGENCIES & ASSETS/LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

STATECOVER MUTUAL Ltd

Council holds a partly paid share in State Cover Mutual Limited, a company providing workers compensation insurance cover for Council. Council has a contingent liability to contribute further equity in the event of the erosion of the capital base of the company as a result of the company's past performance and/or claims experience.

Statecover has issued shares with no par value and may make calls on its members to meet trading losses and to comply with prudential requirements. There is no recognised market for the sale of Statecover shares.

LEGAL EXPENSES

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, all known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Affordable Housing

Under Council's Development Consent Policy 1 (DCP1) developers can if they wish so gain increased floor space ratio. To offset the increased floor space ratio the developer makes available to council Affordable Housing for low to moderate income persons. Council and the applicant enter into a Deed of Agreement to offer council a unit or units in either perpetuity or fixed periods of time. These units are managed by a Community Organisation identified by Council. Affordable Housing units offered to council in perpetuity are recognised as an asset while those fixed for periods of time are not recognised in council's accounts.

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the extent of Council's interest and "control", these are set out in the following parts to this Note.

- Note 19 (a) - Council's interest and "control" exceeds 50% of the cooperative organisation.
- Note 19 (b) - Entities of which no one member has "control".
- Note 19 (c) - Entities of which another member has "control".
- Note 19 (d) - Joint venture operations not comprising an entity.
- Note 19 (e) - Joint ventures not recognised.

(a) - Cooperative Organisations "Controlled" by Council

Not applicable to Council

(b) - Entities not "Controlled" by any member

Council participates in the following cooperative organisations, the activities of which are not controlled by any one member:

Waverley/Woollahra Process Plant

Established by Waverley and Woollahra Council's this organisation was responsible for the incineration of and disposal of waste within the Sydney Metropolitan area.

In late November, 1996 the plant ceased operations and had been under care and maintenance. The site was sold on 29 June 2007.

Premature Insurance Pool

Premature is an insurance pool consisting of Manly, Waverley and Woollahra Council's.

Waverley/Woollahra Process Plant	2008	2007
Council's respective interests are:		
- interest in outputs of the joint operation	50%	50%
- ownership interest in the joint operation	50%	50%
- the proportion of voting power in the joint operation	50%	50%
<u>Movements in Investment in Joint Operation</u>	\$'000	\$'000
Opening Balance	-	284
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result		(126)
Distributions Received		
Transfer Non-Current Assets for Resale to Note 20		
Transfer Current Assets to Council Current Assets (Note 8)		(158)
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>-</u>	<u>-</u>

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year
Later than one year and not later than 5 years
Later than 5 years

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

Operating Expenditures payable

Not later than one year
Later than one year and not later than 5 years
Later than 5 years

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

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation
- arising from joint and several liability of all members

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 19 (b) (cont) - Entities not "Controlled" by any member

	2008	2007
Premature Insurance		
Council's respective interests are:		
- interest in outputs of the joint operation	24%	24%
- ownership interest in the joint operation	24%	24%
- the proportion of voting power in the joint operation	33%	33%
<u>Movements in Investment in Joint Operation</u>	\$'000	\$'000
Opening Balance	-	30
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	-	(30)
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>-</u>	<u>-</u>

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

<u>Capital Expenditures</u> payable		
Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years	<u>-</u>	<u>-</u>
<u>Operating Expenditures</u> payable		
Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years	<u>-</u>	<u>-</u>

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation
- arising from joint and several liability of all members

Revenues, expenses, assets and liabilities of these operations included within these reports in accordance with Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures" are summarised below. Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	2008	2007
	\$'000	\$'000
Operating Statement		
Share of joint venture revenues in operating revenues	-	47
Share of joint venture costs in operating expenses	-	203
Net Contribution	<u>-</u>	<u>(156)</u>
Statement of Financial Position		
Current Assets	-	-
Non-Current Assets	-	-
Share of Assets employed in Joint Ventures	<u>-</u>	<u>-</u>
Current Liabilities	-	-
Non-Current Liabilities	-	-
Share of Liabilities incurred in Joint Ventures	<u>-</u>	<u>-</u>
NET INTEREST IN JOINT VENTURES	<u>-</u>	<u>-</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 19 (cont) - JOINT VENTURES & ASSOCIATED ENTITIES

(c) - Entities "controlled" by another member

Not applicable to Council

(d) - Joint venture operations not comprising an entity

Not applicable to Council

(e) - Joint venture operations not recognised

Not applicable to Council

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 20 - REVALUATION RESERVES AND RETAINED EARNINGS

a. Retained Earnings	2008	2007
	\$'000	\$'000
Movements in Retained Earnings were as follows:		
Balance at beginning of Year (from previous years audited accounts)	1,096,037	1,080,612
a. Correction of Prior Period Errors	(18,742)	(18,742)
d. Net Operating Result for the Year	40,963	15,425
Balance at End of the Reporting Period	<u>1,118,258</u>	<u>1,077,295</u>

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Reserve	109,393	-
Total	<u>109,393</u>	<u>-</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Reserve

- Revaluations for the year	9	109,393	-
- Balance at End of Year		109,393	-

TOTAL VALUE OF RESERVES

109,393	-
----------------	---

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation

Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

c. Correction of Error/s relating to a Previous Reporting Period

Council has not previously reassessed the useful life of its buildings and, as a result, was found to have significantly understated their depreciation. It was also found that certain buildings that Council owned had not previously been recognised. As part of Council's transition to measuring all its IPPE at Fair value, a revaluation exercise in the 2008 year identified these errors. As Council does not have sufficient and reliable information to allow the restatement of these errors prior to 30 June 2007, Council has adjusted the cost values and accumulated depreciation for buildings and land as at 30 June 2007 to reflect the correct value of the asset classes.

- Operational Land	349	-
- Community Land	63	-
- Buildings - Specialised	(13,071)	-
- Buildings - Non-Specialised	(6,083)	-
Total Adjustment to retained earnings - prior period errors	<u>(18,742)</u>	<u>-</u>

WAVERLEY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2008**

Note 21 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2008	2007
	\$'000	\$'000
Burrows Road Industrial property	-	743
	<u> </u>	<u> </u>
	-	743



SPENCER STEER
CHARTERED ACCOUNTANTS

WAVERLEY COUNCIL
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

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

Responsibility of Council for the Financial Report

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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



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

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

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

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that we have become aware of during the course of the audit.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 27th day of October 2008



SPENCER STEER
CHARTERED ACCOUNTANTS

27 October 2008

The Mayor
Waverley Council
PO Box 9
BONDI JUNCTION NSW 2022

Mayor,

Audit Report - Year Ended 30 June 2008

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

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

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

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a Surplus of \$40.963 million as compared with \$15.425 million in the previous year.



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

	2008	% of Total	2007	% of Total	Increase (Decrease)
	\$000		\$000		\$000
Revenues before capital items					
Rates & annual charges	34,817	30%	33,904	38%	913
User charges, fees & other revenues	74,991	65%	36,457	41%	38,534
Gains from sale of assets	64	0%	7,792	9%	(7,728)
Grants & contributions provided for operating purposes	5,927	5%	5,865	7%	62
Interest & investment revenue	-	0%	4,423	5%	(4,423)
	115,799	100%	88,441	100%	27,358
Expenses					
Employee benefits & costs	39,985	51%	37,800	50%	2,185
Materials, contracts & other expenses	30,933	39%	29,536	39%	1,397
Depreciation, amortisation & impairment	7,432	9%	7,343	10%	89
Interest & investment losses	103	0%	-	0%	103
Borrowing costs	577	1%	633	1%	(56)
	79,030	100%	75,312	100%	3,718
Surplus(Deficit) before capital items	\$ 36,769		\$ 13,129		\$ 23,640
Grants & contributions provided for capital purposes	4,194		2,296		1,898
Net Surplus(Deficit) for the year	\$ 40,963		\$ 15,425		\$ 25,538

The table above shows an overall increase over the previous year of \$25.538 million and can be attributed to the following;

- recognition of the fair value increase to investment properties of \$37.393 million;
- the previous year included the profit from the sale of the Processing Plant of \$7.642 million; and
- a net loss on interest and investment revenues of \$103,000 as compared with a profit of \$4.423 million in 2007.

1.2 Funding Result

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

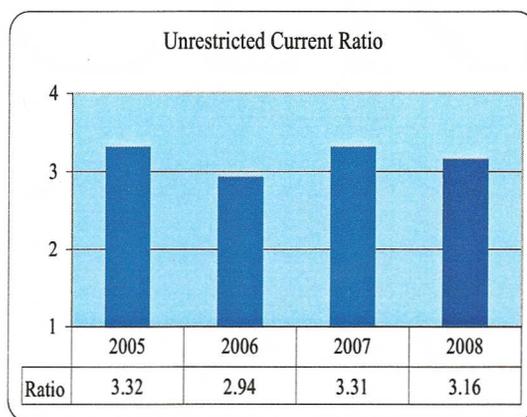
	2008	2007
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	40,963	15,425
Add back non funding items:-		
- Depreciation, amortisation & impairment	7,432	7,343
- Book value of non current assets sold	743	2,833
- (Gain)Loss of fair value to investment properties	(37,393)	0
- (Surplus)Deficit in joint ventures	0	156
	<u>11,745</u>	<u>25,757</u>
Decrease/Redemption in Non Current Investments	2,703	2,129
New loan borrowings	0	2,000
Transfers from externally restricted assets (net)	749	0
Net Changes in current/non current assets & liabilities	943	1,696
	<u>16,140</u>	<u>31,582</u>
Funds were applied to:-		
Purchase and construction of assets	(12,458)	(15,921)
Principal repaid on loans	(1,467)	(1,629)
Transfers to externally restricted assets (net)	0	(3,513)
Transfers to internal reserves (net)	(4,112)	(10,919)
	<u>(18,037)</u>	<u>(31,982)</u>
Increase(Decrease) in Available Working Capital	(1,897)	(400)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$29.560 million representing a factor of 3.16 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal restrictions held for future purposes.

At the close of the year Available Working Capital stood at \$3.666 million as detailed below;



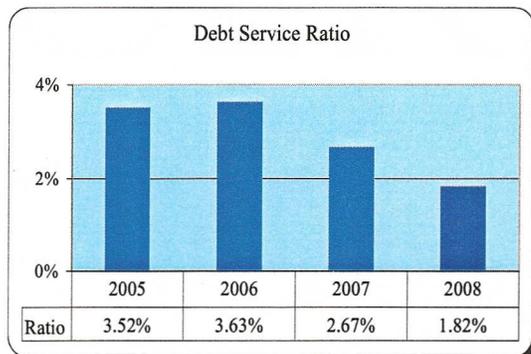
	2008	2007	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	19,572	19,117	455
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	14,758	14,795	(37)
Adjusted Net Current Assets	34,330	33,912	418
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Borrowings	1,421	1,467	(46)
- Employees leave entitlements	4,901	3,985	916
- Deposits & retention moneys	1,687	1,509	178
<i>Less:</i> Externally restricted assets	(4,770)	(5,519)	749
<i>Less:</i> Internally restricted assets	(33,903)	(29,791)	(4,112)
Available Working Capital as at 30 June	\$ 3,666	\$ 5,563	\$ (1,897)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2008 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.82%.



2.4 Summary

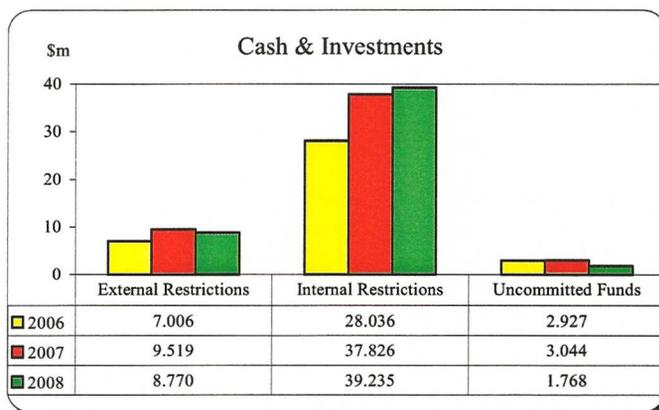
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments securities totalled \$49.773 million at the close of the year as compared with \$50.389 million in 2007 and \$37.969 million in 2006.

The table alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 of \$1.021 million, domestic waste management charges of \$6.936 million and specific purpose grants and environmental levies of \$813,000.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council’s “Reserves”. These Reserves totalled \$39.235 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.768 million, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets increased by \$5.935 million to \$24.906 million at the close of the year.

In addition to operating activities which contributed net cash of \$15.560 million were the proceeds from the redemption of investment securities (\$17.371 million) and sale of assets (\$807,000). Cash outflows other than operating activities were used to repay loans (\$1.467 million), purchase investment securities (\$13.528 million) and to purchase and construct assets (\$12.808 million).



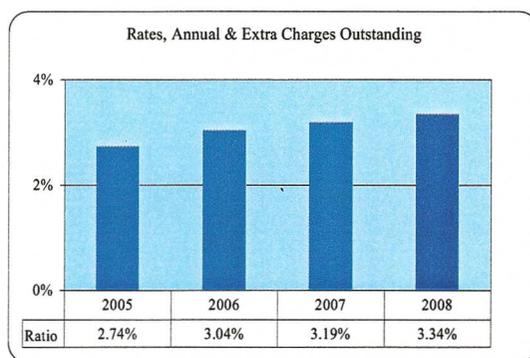
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$34.817 million. Including arrears, the total rates and annual charges collectible was \$35.770 million of which \$34.758 million (97.17%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$1.205 million at the end of the year & represented 3.34% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$8.418 million and included parking fines of \$6.172 million.

Those considered to be uncertain of collection have been provided for as doubtful debts amounting to \$1.402 million of which unpaid parking fines accounted for \$1.271 million.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$16.866 million. Internally restricted cash and investments of \$3.373 million was held representing 20% of this liability and was, in our opinion, adequate to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.821 million and were fully funded by internally restricted cash and investments.

6. REVALUATION OF ASSETS

The current year saw the revaluation of property, buildings, plant and equipment to fair value. Previously, these assets were carried at cost and depreciated over their useful lives. The revaluation process resulted in a net increase of \$109.393 million and was credited directly to Equity. Notes 1(m) & 9 of the financial statements provide further details.



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

7. CONCLUSION

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

Yours faithfully,
SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

WAVERLEY COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2008

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WAVERLEY COUNCIL

SPECIAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

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

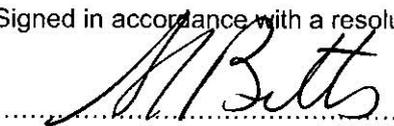
- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Department of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these reports

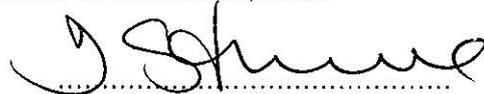
- Present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records

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

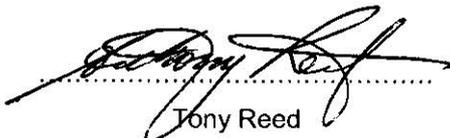
Signed in accordance with a resolution of Council made on 7th October, 2008.



MAYOR



COUNCILLOR



Tony Reed

GENERAL MANAGER



Michael Mamo

RESPONSIBLE ACCOUNTING OFFICER

WAVERLEY COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES

for the year ended 30th June 2008

	BUSINESS ACTIVITIES							
	Property '000		Commercial Waste '000		Printing '000		Cemetery '000	
	2008	2007	2008	2007	2008	2007	2008	2007
REVENUE FROM CONTINUING OPERATIONS								
Rates & Annual Charges								
User Charges & Fees	5,457	4,800	1,627	1,607	48	218	852	963
Interest Received	-	-	-	-	-	-	61	90
Grants & Contributions - Operating	-	-	-	-	-	-	-	-
Gain on Disposal of Assets	-	-	-	-	-	-	-	-
Other Operating Revenues	-	-	124	-	-	-	-	-
TOTAL	5,457	4,800	1,751	1,607	48	218	913	1,053
EXPENSES FROM CONTINUING OPERATIONS								
Employee Costs	361	147	1,292	1,038	59	71	562	484
Materials & Contracts	481	478	20	10	64	48	262	199
Borrowing Costs	-	-	-	-	-	-	-	-
Depreciation & Amortisation	54	49	-	-	3	3	59	39
Other Operating Expenses	929	1,283	594	455	1	49	66	109
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
NCP Imputation Payments	-	-	-	-	-	-	-	-
TOTAL	1,825	1,957	1,906	1,503	127	171	949	831
SURPLUS/ (DEFICIT) FROM CONTINUING OPERATIONS RESULT BEFORE CAPITAL	3,632	2,843	(155)	104	(79)	47	(36)	222
Grants & Contributions - Capital	-	-	-	-	-	-	-	-
RESULT FROM ORDINARY ACTIVITIES	3,632	2,843	(155)	104	(79)	47	(36)	222
Discontinued Operations	-	-	-	-	-	-	-	-
SURPLUS (DEFICIT) BEFORE TAX	3,632	2,843	(155)	104	(79)	47	(36)	222
Corporate Taxation Equivalent	1,090	853	-	31	-	14	-	67
SURPLUS (DEFICIT) FOR YEAR	2,542	1,990	(155)	73	(79)	33	(36)	155
Add: Accumulated Profits brought forward	78,260	100,348	17	(87)	17	17	138,023	137,363
Asset Revaluation to fair value	37,130	-	-	-	-	-	-	-
NCP Imputation Payments retained	1,090	853	-	31	-	14	-	67
Add: Subsidy Paid / Contribution to Operations	-	-	-	-	55	-	-	438
Less: Dividends Paid - TER	-	-	-	-	-	-	-	-
- Surplus Dividend	(4,415)	(24,931)	(225)	-	-	(47)	(494)	-
ACCUMULATED SURPLUS	114,607	78,260	(363)	17	(7)	17	137,493	138,023
RATE OF RETURN ON CAPITAL	3.14%	3.62%	NIL	78.79%	NIL	261.11%	NIL	0.16%
NOTIONAL SUBSIDY FROM COUNCIL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This Statement is to be read in conjunction with the attached Notes.

WAVERLEY COUNCIL

**BALANCE SHEET BY BUSINESS ACTIVITIES
for the year ended 30th June 2008**

		BUSINESS ACTIVITIES							
		Property '000		Commercial Waste '000		Printing '000		Cemetery '000	
		2008	2007	2008	2007	2008	2007	2008	2007
CURRENT ASSETS									
Cash & cash equivalents		-	-	-	-	-	-	1,075	1,311
Investments		-	-	-	-	-	-	-	-
Receivables		128	-	114	109	-	-	5	5
Inventories		-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-
	TOTAL CURRENT ASSETS	128	-	114	109	-	-	1,080	1,316
NON-CURRENT ASSETS									
Investments		-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-
Property, Plant & Equipment		128	82	127	132	18	18	137,073	136,723
Equity accounted investments		-	-	-	-	-	-	-	-
Investment Property		115,482	78,352	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-
	TOTAL NON-CURRENT ASSETS	115,610	78,434	127	132	18	18	137,073	136,723
	TOTAL ASSETS	115,738	78,434	241	241	18	18	138,153	138,039
CURRENT LIABILITIES									
Payables		144	174	59	29	-	1	76	16
Interest Bearing liabilities		-	-	-	-	-	-	-	-
Provisions		152	-	545	195	25	-	237	-
	TOTAL CURRENT LIABILITIES	296	174	604	224	25	1	313	16
NON-CURRENT LIABILITIES									
Payables		-	-	-	-	-	-	-	-
Interest bearing liabilities		-	-	-	-	-	-	-	-
Provisions		-	-	-	-	-	-	-	-
	TOTAL NON CURRENT LIABILITIES	-	-	-	-	-	-	-	-
	TOTAL LIABILITIES	296	174	604	224	25	1	313	16
NET ASSETS		\$ 115,442	78,260	(363)	17	(7)	17	137,840	138,023
EQUITY									
Accumulated Surplus		114,607	78,260	(363)	17	(7)	17	137,493	138,023
Asset Revaluation Reserve		835	-	-	-	-	-	347	-
TOTAL EQUITY		\$ 115,442	78,260	(363)	17	(7)	17	137,840	138,023

This Statement is to be read in conjunction with the attached Notes

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Special Purpose Financial Reports

These financial statements are a Special Purpose Financial Report prepared for use by the Council and the Department of Local Government. They have been prepared to report the results of Business Units determined by Council in accordance with the requirements of National Competition Policy guidelines.

In preparing these reports, each Business Unit has been viewed as a separate unit, and accordingly transactions between different Business Units, and between Business Units and other Council operations, have not been eliminated.

2. Basis of Accounting

2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement "*Application of National Competition Policy to Local Government*" and the Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards, and is based on information consistent with that forming the basis of Council's Annual Financial Statements for the year.

2.2 Basis

The financial report have been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the Annual Financial Statements, in accordance with the historical cost convention.

3. National Competition Policy

In accordance with the framework set out in the June 1996 NSW Government Policy Statement "*Application of National Competition Policy to Local Government*" and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

Waverley Council Property Services

Comprising the whole of the operations and assets of the property services, commercial properties controlled by Waverley Council. As the total annual operating revenues exceed \$2,000,000, it is defined as a "Category 1" Business Unit.

Waverley Council Trade Waste Services

Comprising the whole of the operations and assets of the commercial waste services which service the area of Waverley. This service collects and disposes of waste collected from commercial premises. As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (cont)

Waverley & South Head Cemeteries

Comprising the whole of the operations and assets of both the Waverley & South Head Cemeteries. This business operates from offices located at Waverley Cemetery dealing with maintenance, sales and burials. As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

Waverley Council Print Shop

Comprising the whole of the operations and assets of the Waverley Council in house print shop. This business supplies printing requirements throughout the council operations. As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

The Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, council subsidies, rate of return on investments in Business Units and dividends paid.

3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared Business Units at the several rates that would have applied to equivalent private sector operations.

Details of the rates of each tax or duty applicable to each different business unit are set out in Note 2. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees

Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all Business Units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to Business Units by Council or other Business Units.

3.3 Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council's Business Units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each Business Unit.

3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Operating Statement of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax Effect Accounting)" has not been applied.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (cont)

3.5 Dividends Paid

In accordance with National Competition Policy guidelines, it is expected that Business Units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

3.6 Return on Investments (Rate of Return)

The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.

3.7 Notional Subsidy from Council

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis, or accepts a lower rate of return on its investment in the Business Unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

4. Special Rate Funds

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, and accordingly *imputed* amounts have been retained in those funds, and added back to Accumulated Surplus.

For Business Units not involving Special Rate Funds, *imputed* amounts have been transferred to Council's General Fund and are available to Council for utilisation for other purposes.

All such amounts have been eliminated in the course of preparation of the Council's Annual Financial Statements.

5. Other Accounting Policies and Notes

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Operating Statement of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

6. Rounding

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements have been rounded to the nearest thousand dollars.

WAVERLEY COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

**NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2008**

		BUSINESS ACTIVITIES							
		Property		Commercial Waste		Printing		Cemetery	
		2008	2007	2008	2007	2008	2007	2008	2007
Category									
TAXATION EQUIVALENT PAYMENTS		<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>
Land Tax									
Stamp Duty									
Payroll Tax									
Fringe Benefits Tax		Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies
COUNCIL RATES, CHARGES & FEES									
LOAN & DEBT GUARANTEE FEES									
CORPORATE TAXATION EQUIVALENT		30%	30%	30%	30%	30%	30%	30%	30%
DIVIDENDS PAID		-173.68%	-142.42%	N/A	-193.55%	N/A	N/A	N/A	N/A
RATE OF RETURN ON CAPITAL									
Required Rate of Return									
Actual Rate of Return		3.14%	3.62%	NIL	78.79%	NIL	261.11%	NIL	0.16%



SPENCER STEER
CHARTERED ACCOUNTANTS

WAVERLEY COUNCIL

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

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

Responsibility of Council for the Financial Report

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

Auditors' Responsibility

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

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



accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

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

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

Independence

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

Auditor's Opinion

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

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 27th day of October 2008

WAVERLEY COUNCIL
Special Schedules
for the year ended 30th June 2008

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WAVERLEY COUNCIL
SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	689					689	
		689			-		689
ADMINISTRATION							
Corporate Support	11,705		497	93		11,115	
Engineering & Works	3,488		827	22		2,639	
Other Support Services	-		-	-		-	
		15,193			1,439		13,754
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service	-		-	-		-	
Fire Protection - Other	1,087		50	-		1,037	
Animal Control	178		40	-		138	
Beach Control	1,954		7	-		1,947	
Enforcement of Local Govt Regulation	791		1,051	-		(260)	
Emergency Services	86		26	-		60	
Other	-		-	-		-	
		4,096			1,174		2,922
HEALTH							
Administration & Inspection	1,449		244	-		1,205	
Immunisations	2		2	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	1		-	-		1	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
Other	56		2	-		54	
		1,508			248		1,260
COMMUNITY SERVICES & EDUCATION							
Administration	1,782		17	-		1,765	
Family Day Care	825		701	-		124	
Child Care	2,902		2,595	-		307	
Youth Services	336		28	-		308	
Other Families & Children	69		11	-		58	
Aged & Disabled	1,231		901	-		330	
Migrant Services	60		22	-		38	
Aboriginal Services	-		-	-		-	
Other Community Services	902		401	-		501	
Education	-		-	-		-	
		8,107			4,676		3,431
HOUSING & COMMUNITY AMENITIES							
Housing	441		389	-		52	
Town Planning	3,884		1,767	2,119		(2)	
Domestic Waste Management	8,200		10,112	-		(1,912)	
Other Waste Management	-		-	-		-	
Street Cleaning	2,886		6	-		2,880	
Other Sanitation & Garbage	2,177		1,751	-		426	
Urban Stormwater Drainage	1,040		-	-		1,040	
Environmental Protection	1,032		914	-		118	
Public Cemeteries	966		937	-		29	
Public Conveniences	33		-	-		33	
Other Community Amenities	1		-	-		1	
		20,660			17,995		2,665

WAVERLEY COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES	-	-	-	-	-	-	-
SEWERAGE SERVICES	-	-	-	-	-	-	-
RECREATION & CULTURE							
Public Libraries	4,175		467	-		3,708	
Museums	-		-	-		-	
Art Galleries	-		-	-		-	
Community Centres	-		-	-		-	
Public Halls	-		-	-		-	
Other Cultural Services	1,863		1,075	-		788	
Swimming Pools	144		-	-		144	
Sporting Grounds	453		50	-		403	
Parks & Gardens, Lakes	5,355		540	115		4,700	
Other Sport & Recreation	122		-	-		122	
		12,112			2,247		9,865
FUEL & ENERGY							
Gas Supplies	-		-	-		-	
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	575		279	-		296	
Abattoirs	-		-	-		-	
Quarries & Pits	-		-	-		-	
Other	-		-	-		-	
		575			279		296
TRANSPORT & COMMUNICATION							
Urban Roads: Local	2,928		1,150	278		1,500	
Urban Roads: Regional	-		-	-		-	
Sealed Rural Roads: Local	-		-	-		-	
Sealed Rural Roads: Regional	-		-	-		-	
Unsealed Rural Roads: Local	-		-	-		-	
Unsealed Rural Roads: Regional	-		-	-		-	
Bridges - Urban Roads: Local	-		-	-		-	
Bridges - Urban Roads: Regional	-		-	-		-	
Bridges - Sealed Rural Roads: Local	-		-	-		-	
Bridges - Sealed Rural Roads: Regional	-		-	-		-	
Bridges - Unsealed Rural Roads: Local	-		-	-		-	
Bridges - Unsealed Rural Roads: Regional	-		-	-		-	
Footpaths	1,632		16	1,630		(14)	
Aerodromes	-		-	-		-	
Parking Areas	9,857		21,630	-		(11,773)	
Bus Shelters & Services	107		1,083	-		(976)	
Water Transport	-		-	-		-	
RTA Works - State Roads	-		-	-		-	
Street Lighting	756		152	-		604	
Other	-		-	-		-	
		15,280			25,939		(10,659)

WAVERLEY COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas	-		-	-		-	
Caravan Parks	-		-	-		-	
Tourism & Area Promotion	1		-	-		1	
Industrial Development Promotion	-		-	-		-	
Saleyards & Markets	-		-	-		-	
Real Estate Development	-		-	-		-	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	809		39,875	-		(39,066)	
		810			39,875		(39,065)
TOTALS - FUNCTIONS		79,030			93,872		(14,842)
General Purpose Revenues			26,121			26,121	
		-			26,121		26,121
NET OPERATING RESULT FOR YEAR		79,030			119,993		40,963

WAVERLEY COUNCIL

SPECIAL SCHEDULE NO 2 (1)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2008

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicabl for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	on-Curre	Total
LOANS (by source)											
Financial Institutions	1,463	8,485	9,948	-	1,463	-	-	574	1,417	7,068	8,485
Other	4	30	34	-	4	-	-	-	4	26	30
Total Loans	1,467	8,515	9,982	-	1,467	-	-	574	1,421	7,094	8,515
TOTAL LONG TERM DEBT	1,467	8,515	9,982	-	1,467	-	-	574	1,421	7,094	8,515

This Schedule excludes Internal Loans and refinancing of existing borrowings.

WAVERLEY COUNCIL
SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition [#]	Estimated Cost to bring to a Satisfactory Standard ⁽¹⁾	Estimated Annual Maintenance Expense ⁽²⁾	Current Annual Maintenance ⁽³⁾
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>			<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings	Council Offices	1	124	-	21,533	8,041	13,492	2	300	150	400
	Works Depot	1	38	-	10,393	4,621	5,772	3	485	200	20
	Halls	1	224	-	47,876	22,127	25,749	4	3,200	365	500
	Houses	1	333	-	31,331	8,015	23,316	2	60	90	85
	Library	1	138	-	25,717	6,133	19,584	2	-	130	250
	Childcare Centres	1	44	-	5,858	2,234	3,624	2	20	60	100
	Commercial	1	-	-	43,826	0	43,826	2	80	100	190
	Amenities/Toilets	1	73	-	15,324	6,703	8,621	3	65	50	5
	Subtotal		974	-	201,858	57,874	143,984		4,210	1,145	1,550
Public	Sealed Roads	1	1,544	159,431		56,699	102,732	3	1,350	1,350	1,350
	Footpaths	1	473	48,560		13,953	34,607	3	1,475	1,475	1,475
	Kerb & Gutter	1	267	27,143		10,843	16,300	3	730	730	730
	Subtotal		2,284	235,134	-	81,495	153,639		3,555	3,555	3,555
Drainage Works	Inlet & Junction Pits	1	635	63,790		25,547	38,243	4	42,000	2,100	787
	Subtotal		635	63,790	-	25,547	38,243		42,000	2,100	787
Total Classes - All Assets			3,893	298,924	201,858	164,916	335,866		49,765	6,800	5,892

Notes:

- (1). Satisfactory refers to estimated cost to bring asset to a satisfactory condition as deemed by Council.
(2). Estimated Annual Maintenance Expense is what should be spent to maintain assets in a satisfactory standard.
(3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

Asset Condition "Key" - as per Council's Strategic Asset Management Plan 2 (SAMP2)

- Condition 1 - Good Condition
Condition 2 - Minor deterioration
Condition 3 - Medium deterioration
Condition 4 - Major deterioration
Condition 5 - Unservicable

WAVERLEY COUNCIL

**SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS
as at 30th June 2008**

	Actual 2008 \$000's	Forecast 2009 \$000's	Forecast 2010 \$000's	Forecast 2011 \$000's	Forecast 2012 \$000's
Recurrent Budget					
Income from continuing operations	119,993	86,528	88,903	91,799	95,269
Expenses from continuing operations	79,030	86,292	89,244	92,526	96,039
Operating result from continuing operations	40,963	236	(341)	(727)	(770)
Capital Budget					
New Works	-	10,288	6,420	4,181	1,876
Replacement of existing assets	-	1,863	1,935	2,011	2,089
	-	12,151	8,355	6,192	3,965
<i>Funded by</i>					
- Loans	-	-	-	2,000	538
- Asset Sales	-	-	-	-	-
- Reserves	-	8,507	5,549	1,879	1,462
- Grants/Contributions	-	400	-	-	-
- Recurrent revenue	-	3,244	2,806	2,313	1,965
- Other	-	-	-	-	-
	-	12,151	8,355	6,192	3,965

Council of Waverley

Special Schedule - Rates

Rates (other than water and sewerage related special rates) for the year ended 30 June, 2008

Particulars	No of Assessments	Rateable Value	Amount	Total Rates
ORDINARY RATES				
Residential Category/Ordinary Sub Category				
0.1345 Cents in the dollar	12,901	9,518,455,499	12,802,336.97	
354.71 Minimum Rate	12,404	2,072,138,711	4,399,822.84	17,202,159.81
Residential Category/Bondi Junction Sub Category				
0.1345 Cents in the dollar	68	23,515,515	31,628.43	
354.71 Minimum Rate	1,686	151,121,982	598,041.06	629,669.49
Residential Category/Boarding House Sub Category				
0.1345 Cents in the dollar	50	42,150,000	56,691.81	
354.71 Minimum Rate	-	-	-	56,691.81
Business Category/Ordinary Sub Category				
0.585 Cents in the dollar	855	495,550,012	2,898,967.98	
Minimum Rate				2,898,967.98
Business Category/Bondi Junction Sub Category				
0.9425 Cents in the dollar	871	426,978,266	4,024,270.62	
Minimum Rate				4,024,270.62
Environmental Special Rate				
0.006170 Cents in the dollar	14,704	10,665,253,031	658,053.06	
15.00 Minimum Rate	14,131	2,064,656,954	211,965.00	870,018.06
Ordinary/Special Rates/Part of Year				
0.1345 Cents in the dollar	19	14,423,465	24,123.87	
0.585 Cents in the dollar	1	1,200,000	4,699.18	
0.9425 Cents in the dollar				
0.006170 Cents in the dollar	20	15,623,465	1,156.33	
354.71 Minimum Rate	45	6,363,535	5,029.83	
15.00 Minimum Rate	45	6,363,535	212.73	35,221.94
Gains and Loss by Fractions				25,716,999.71
Total Ad valorem rates				0.00
Total Minimum rates				
Sub Total Ordinary Rates				25,716,999.71
	14,765	10,522,272,757	20,501,928.25	
	14,135	2,229,624,228	5,215,071.46	
	28,900	12,751,896,985		25,716,999.71

Where a Base Amount with ad valorem structure is used total should reflect number of assessments subject to combined base amount/ad valorem rates

Particulars	Amount	Amount
BALANCE BROUGHT FORWARD	25,716,999.71	
ADD: Levy for Previous Years	-1,240.45	
Transfers from Doubtful Rates Suspence		
Transfers from Postponed Rates Suspence	1,923.66	25,717,682.92
LESS: Abandoned - Pensioners under Section 575 LGA, 1993	379,479.66	
- Pensioners under Section 582 LGA, 1993		
- Others	10,495.62	
Transfers to Doubtful Rates Suspence		
Transfers to Postponed Rates Suspence	1,311.74	391,287.02
NET RATES for the year		25,326,395.90
NET ACCRUED INTEREST for the year		124,910.12
NET RATES AND ACCRUED INTEREST		25,451,306.02

Council of Waverley
Special Schedule - Interest

Interest Charges

for the year ended 30 June, 2008

Particulars	Amount	Amount
ADD: Interest charges accrued	100,510.49	
Legal Costs raised	26,628.33	127,138.82
ADD: Transfers from Doubtful Rates Suspence		
Transfers from Postponed Rates Suspence	1,465.55	1,465.55
LESS: Abandoned - Other	2,225.45	128,604.37
Transfers to Doubtful Rates Suspence		
Transfers to Postponed Rates Suspence	1,468.80	3,694.25
NET ACCRUED INTEREST for the year		124,910.12

Council of Waverley

Special Schedule - Domestic Waste Charges

Domestic Waste Management Charges

for the year ended 30 June, 2008

Particulars	No of Services	Total Charges
DOMESTIC WASTE MANAGEMENT CHARGES		
Primary Domestic Waste Charges		
339.00 Waste Charges @	27,310.00	9,257,890.86
Secondary Domestic Waste Charges		
339.00 Waste Charges @	2,068.00	696,907.99
Domestic Waste Charges/Part of Year		
Primary Domestic Waste Charges	69.00	11,099.61
Secondary Domestic Waste Charges	33.00	5,385.08
Primary Domestic Waste Charges	27,379.00	9,268,990.47
Secondary Domestic Waste Charges	2,101.00	702,293.07
Sub Total Ordinary Charges		9,971,283.54

Particulars	Amount	Amount
BALANCE BROUGHT FORWARD	9,971,283.54	
ADD: Levy for Previous Years	(3,729.00)	9,967,554.54
LESS: Abandoned - Pensioners under Section 575 LGA, 1993	232,947.40	
- Others		232,947.40
NET TOTAL DOMESTIC MANAGEMENT CHARGES		9,734,607.14

Council of Waverley
Special Schedule - Reconciliation
Rates and Charges
for the year ended 30 June, 2008

Particulars	Net Balance as at 1 July, '07	Postponed as at 1 July, '07	Gross Balance as at 1 July, '07	Levy	Gross Receivable	Abandonments	Net Receivable	Net Collections	Gross Balance as at 30 June, '08	Postponed as at 30 June, '08	Net Balance as at 30 June, '08
General Rates	444,373.74	6,828.88	451,202.62	25,715,759.26	26,166,961.88	389,975.28	25,776,986.60	25,329,542.17	447,444.43	6,090.11	441,354.32
Domestic Waste Charges	511,572.00		511,572.00	9,967,554.54	10,479,126.54	232,947.40	10,246,179.14	9,672,218.00	573,961.14		573,961.14
Extra Charges	161,338.20	3,400.04	164,738.24	127,138.82	291,877.06	2,225.45	289,651.61	96,862.19	192,789.42	3,797.87	188,991.55
Totals:	1,117,283.94	10,228.92	1,127,512.86	35,810,452.62	36,937,965.48	625,148.13	36,312,817.35	35,098,622.36	1,214,194.99	9,887.98	1,204,307.01

Net Collections as a percentage 3.15

Pensioner remaining balance

Ordinary and Special Rates	143,252.99
Interest Charges	82,093.86
Total:	225,346.85

Waverley Council

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Your call will be directed to the appropriate area.