

APPENDIX C



FINANCIAL
REPORT
2008/09

ANNUAL FINANCIAL REPORTS

For the year ended 30 June 2009



FINANCIAL
REPORT
2008/09

GENERAL PURPOSE FINANCIAL REPORT

For the year ended 30 June 2009

City of Canada Bay

General Purpose Financial Report for the financial year ended 30 June 2009

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Overview

- (i) This Financial Report covers the consolidated operations for City of Canada Bay.
- (ii) City of Canada Bay is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 27/10/09. Council has the power to amend and reissue the financial report.
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City of Canada Bay

General Purpose Financial Report

for the financial year ended 30 June 2009

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:

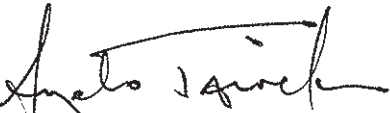
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 15 September 2009.



Cr Angelo Tsirekas
MAYOR



Cr Jeanette O'Hara
COUNCILLOR



Mr Gary Sawyer
GENERAL MANAGER



Mr Bruce Cook
RESPONSIBLE ACCOUNTING OFFICER

City of Canada Bay

Income Statement

for the financial year ended 30 June 2009

Budget ⁽¹⁾				Actual	Actual
2009	\$ '000		Notes	2009	2008
Income from Continuing Operations					
Revenue:					
34,587	Rates & Annual Charges	3a		34,816	32,954
6,277	User Charges & Fees	3b		7,404	5,918
1,045	Interest & Investment Revenue	3c		-	-
3,291	Other Revenues	3d		3,569	3,863
3,535	Grants & Contributions provided for Operating Purposes	3e,f		4,558	3,413
2,263	Grants & Contributions provided for Capital Purposes	3e,f		13,810	9,124
Other Income:					
-	Net gains from the disposal of assets	5		52	-
50,998	Total Income from Continuing Operations			64,209	55,272
Expenses from Continuing Operations					
20,094	Employee Benefits & On-Costs	4a		20,648	17,890
527	Borrowing Costs	4b		219	265
18,043	Materials & Contracts	4c		17,385	16,549
7,500	Depreciation & Amortisation	4d		7,980	7,205
7,060	Other Expenses	4e		7,096	6,536
-	Interest & Investment Losses	3c		145	138
-	Net Losses from the Disposal of Assets	5		-	39
53,224	Total Expenses from Continuing Operations			53,473	48,622
(2,226)	Operating Result from Continuing Operations			10,736	6,650
(2,226)	Net Operating Result for the Year			10,736	6,650
(2,226)	Net Operating Result attributable to Council			10,736	6,650
(4,489)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(3,074)	(2,474)

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

City of Canada Bay

Balance Sheet
as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,060	14,882
Investments	6b	1,031	3,064
Receivables	7	2,640	2,058
Inventories	8	15	40
Other	8	320	686
Total Current Assets		17,066	20,730
Non-Current Assets			
Investments	6b	943	2,146
Receivables	7	95	115
Infrastructure, Property, Plant & Equipment	9	941,019	928,444
Investment Property	14	16,156	16,226
Total Non-Current Assets		958,213	946,931
TOTAL ASSETS		975,279	967,661
LIABILITIES			
Current Liabilities			
Payables	10	10,084	13,227
Borrowings	10	713	739
Provisions	10	5,861	5,123
Total Current Liabilities		16,658	19,089
Non-Current Liabilities			
Borrowings	10	2,578	3,291
Provisions	10	318	292
Total Non-Current Liabilities		2,896	3,583
TOTAL LIABILITIES		19,554	22,672
Net Assets		955,725	944,989
EQUITY			
Retained Earnings	20	922,360	911,624
Revaluation Reserves	20	33,365	33,365
Council Equity Interest		955,725	944,989
Minority Equity Interest		-	-
Total Equity		955,725	944,989

City of Canada Bay

Statement of Changes in Equity
for the financial year ended 30 June 2009

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		911,624	33,365	944,989	-	944,989
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		911,624	33,365	944,989	-	944,989
c. Current Year Income & Expenses Recognised direct to Equity - Nil						
d. Net Operating Result for the Year		10,736	-	10,736	-	10,736
Total Recognised Income & Expenses (c&d)		10,736	-	10,736	-	10,736
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		922,360	33,365	955,725	-	955,725

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		913,514	-	913,514	-	913,514
a. Correction of Prior Period Errors	20 (c)	(8,540)	-	(8,540)	-	(8,540)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		904,974	-	904,974	-	904,974
c. Current Year Income & Expenses Recognised direct to Equity - Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	33,365	33,365	-	33,365
Net Income Recognised Directly in Equity		-	33,365	33,365	-	33,365
d. Net Operating Result for the Year		6,650	-	6,650	-	6,650
Total Recognised Income & Expenses (c&d)		6,650	33,365	40,015	-	40,015
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		911,624	33,365	944,989	-	944,989

City of Canada Bay

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Operating Activities				
Receipts:				
34,800	Rates & Annual Charges		34,782	32,795
6,500	User Charges & Fees		7,383	6,229
1,225	Interest & Investment Revenue Received		1,161	1,616
4,000	Grants & Contributions		10,161	12,530
3,100	Other		3,108	3,083
Payments:				
(19,800)	Employee Benefits & On-Costs		(19,864)	(17,956)
(18,000)	Materials & Contracts		(20,345)	(13,768)
(527)	Borrowing Costs		(219)	(265)
(6,000)	Other		(5,979)	(6,393)
5,298	Net Cash provided (or used in) Operating Activities	11b	10,188	17,871
Cash Flows from Investing Activities				
Receipts:				
2,500	Sale of Investment Securities		2,500	4,254
900	Sale of Infrastructure, Property, Plant & Equipment		817	803
Payments:				
-	Purchase of Investment Securities		(501)	-
(14,500)	Purchase of Infrastructure, Property, Plant & Equipment		(14,087)	(16,372)
(11,100)	Net Cash provided (or used in) Investing Activities		(11,271)	(11,315)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(739)	Repayment of Borrowings & Advances		(739)	(795)
(739)	Net Cash Flow provided (used in) Financing Activities		(739)	(795)
(6,541)	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,822)	5,761
14,882	plus: Cash & Cash Equivalents - beginning of year	11a	14,882	9,121
8,341	Cash & Cash Equivalents - end of the year	11a	13,060	14,882

Please refer to Note 11 for information on the following:

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

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

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n/a - not applicable

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Application of AAS 27

AAS 27 – Financial Reporting by Local Government was withdrawn from use from 1 July 2008.

All key elements however of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

(iv) Basis of Accounting

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

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

(v) Changes in Accounting Policies

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular

manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of Infrastructure, Property, Plant and Equipment

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

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

(c) Principles of Consolidation

These financial reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/09) and (ii) all the related operating results (for the financial year ended the 30th June 2009).

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

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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General Purpose Operations

(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 & Operations

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

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and 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 retained earnings & reserves is recognised in the balance sheet.

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed "Associates".

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

The corresponding rental obligations, net of finance charges, are included in borrowings.

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

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

Assets in this category are classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or

determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

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

Financial Assets – Reclassification

Following on from amendments made to AASB 139 - Financial Instruments: Recognition & Measurement in October 2008, Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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

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

Actual Reclassifications

Council did not take up the option to reclassify some financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 in October 2008.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline

in the fair value of a security below its cost is considered in determining whether the security is impaired.

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

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

(iii) Types of Investments

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

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

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

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

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

(g) Fair value estimation

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are being progressively revalued to fair value in accordance with a staged implementation as advised by the Department of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (ExternalValuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

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

- **2009/10:** Roads, Bridges, Footpaths and Drainage assets
- **2010/11:** Community land, Land improvements, Other structures and other assets

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

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

loss, then increase is first recognised in profit or loss.

- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

Capitalisation Thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Depreciation

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

Land is not depreciated.

Estimated useful lives for Councils assets include:

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

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

Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets	
- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years

- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(m) Intangible Assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial

benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

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

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

(n) Crown Reserves

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

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

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

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

(o) Investment property

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

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis and open-market value determined annually by external valuers.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/09.

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

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(q) Impairment of assets

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

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

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

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

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

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

(r) Payables

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

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

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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.

(t) Borrowing costs

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

(u) Provisions

Provisions for legal claims and service warranties are recognised when:

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

Provisions are not recognised for future operating losses.

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

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.

(v) Employee benefits

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

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

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

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

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

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

(ii) Long service leave

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

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

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

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

For this reason, no liability for the deficiency has been recognised in Council's accounts.

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

Define Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

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

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/09.

(w) Self insurance

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Exceptions

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

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

(y) Taxes

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

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

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

(z) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2009.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 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 the financial statements.

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

Council will apply the revised standard from 1 July 2009.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Applicable to Local Government but no implications for Council;

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions.

It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

There will be no impact on the financial reports as Council makes no share based payments.

AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.

Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

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

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008.

They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met

There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. Council will apply the revised rules prospectively from 1 July 2009.

After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group.

It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders.

These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

Not applicable to Local Government per se;

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

(aa) Rounding of amounts

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(ab) Comparative Figures

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

(ac) Disclaimer

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

Note 2(a). Functions / Activities - Financial Disclosures

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual 2009	Actual 2008	Original Budget	Actual 2009	Actual 2008	Original Budget	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008
	2009	2009	2008	2009	2009	2008	2009	2009	2008	2009	2008	2009	2008
Governance	-	31	20	1,576	2,129	1,686	(1,576)	(2,098)	(1,666)	10	2	330	25,756
Administration	2,239	13,138	11,315	15,960	15,749	14,219	(13,721)	(2,611)	(2,904)	36	15	43,833	50,737
Public Order & Safety	1,059	1,067	993	2,144	2,129	2,015	(1,085)	(1,062)	(1,022)	-	-	243	276
Health	71	68	19	185	237	162	(114)	(169)	(143)	-	-	126	118
Community Services & Education	1,549	1,558	953	2,265	2,158	1,645	(716)	(600)	(692)	393	489	7,510	5,248
Housing & Community Amenities	11,419	10,941	9,774	14,357	13,961	12,152	(2,938)	(3,020)	(2,378)	994	618	90,587	69,056
Water Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	2,430	5,475	2,639	6,692	6,749	6,052	(4,262)	(1,274)	(3,413)	2,930	435	680,180	669,298
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	350	274	302	1,874	1,860	1,902	(1,524)	(1,586)	(1,600)	-	-	374	330
Transport & Communication	1,424	2,359	1,675	7,504	7,629	7,761	(6,080)	(5,270)	(6,086)	560	374	152,076	146,819
Economic Affairs	871	1,060	1,306	667	872	1,028	204	188	278	-	-	20	23
Total Functions & Activities	21,412	35,971	28,996	53,224	53,473	48,622	(31,812)	(17,502)	(19,626)	4,923	1,933	975,279	967,661
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	29,586	28,238	26,276	-	-	-	29,586	28,238	26,276	2,658	2,080	-	-
Operating Result from Continuing Operations	50,998	64,209	55,272	53,224	53,473	48,622	(2,226)	10,736	6,650	7,581	4,013	975,279	967,661

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 2(b). Components of Functions / Activities

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

GOVERNANCE

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

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & 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 family and children, aged and disabled, migrant services, Aboriginal 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.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		21,590	20,729
Business		3,990	3,679
Total Ordinary Rates		25,580	24,408
Special Rates			
Sustainable City Levy		678	654
Total Special Rates		678	654
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		7,914	7,258
Stormwater Management Services		644	634
Total Annual Charges		8,558	7,892
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>34,816</u>	<u>32,954</u>

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

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		424	150
Total User Charges		424	150
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Regulation		269	288
Planning & Building Regulation		890	746
Private Works - Section 67		635	886
Registration Fees		20	21
Section 149 Certificates (EPA Act)		170	171
Section 603 Certificates		105	100
Section 611 Charges		42	39
Total Fees & Charges - Statutory/Regulatory		2,131	2,251
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Admission & Service Fees		655	551
Aged Care		92	93
Child Care		956	280
Golf Course Fees		1,388	1,313
Halls & Meeting Rooms		162	129
Leaseback Fees - Council Vehicles		270	210
Leisure Centre		50	-
Library		45	31
Park Rents		315	174
Parking Fees		89	55
Restoration Charges		827	680
Other		-	1
Total Fees & Charges - Other		4,849	3,517
TOTAL USER CHARGES & FEES		7,404	5,918

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		83	74
- Interest earned on Investments (interest & coupon payment income)		1,009	1,603
Fair Value Adjustments			
- Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(1,237)	(1,815)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>(145)</u>	<u>(138)</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		83	74
General Council Cash & Investments		(276)	(331)
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		48	119
Total Interest & Investment Revenue Recognised		<u>(145)</u>	<u>(138)</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	639
Rental Income - Investment Properties	14	259	251
Rental Income - Other Council Properties		1,835	1,673
Parking Fines		989	993
Other Fines		27	-
Legal Fees Recovery - Rates & Charges (Extra Charges)		86	39
Legal Fees Recovery - Other		84	13
Commissions & Agency Fees		6	3
Diesel Rebate		19	-
Sale of Abandoned Vehicles		16	19
Sales - General		3	9
Sponsorships		56	58
Waste Management Performance Bonus		169	116
Other		20	50
<u>TOTAL OTHER REVENUE</u>		<u>3,569</u>	<u>3,863</u>

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	2,238	1,646	-	-
Pensioners' Rates Subsidies - General Component	420	434	-	-
Total General Purpose	2,658	2,080	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	134	113	-	-
Aged Care	1	1	-	-
Community Care	388	484	-	-
Employment & Training Programs	40	15	-	-
Environmental Projects	92	14	442	511
Heritage & Cultural	-	5	-	-
Library	188	188	20	-
Planning / Building	33	-	-	-
Sport & Recreation	-	18	3,015	10
Street Lighting	142	41	-	-
Traffic Route Subsidy	49	38	-	-
Transport (Roads to Recovery)	-	-	169	295
Transport (Other Roads & Bridges Funding)	-	-	200	200
Other	10	-	-	-
Total Specific Purpose	1,077	917	3,846	1,016
Total Grants	3,735	2,997	3,846	1,016
Grant Revenue is attributable to:				
- Commonwealth Funding	2,278	1,661	3,123	295
- State Funding	1,457	1,335	723	721
- Other Funding	-	1	-	-
	3,735	2,997	3,846	1,016

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	-	-	8,065	500
S 94 - Contributions towards amenities/services	-	-	298	5,900
S 94A - Fixed Development Consent Levies	-	-	1,288	1,519
Total Developer Contributions	17	-	9,651	7,919
Other Contributions:				
Recreation & Culture	-	-	281	189
RTA Contributions (Regional/Local, Block Grant)	701	345	32	-
Other	122	71	-	-
Total Other Contributions	823	416	313	189
Total Contributions	823	416	9,964	8,108
TOTAL GRANTS & CONTRIBUTIONS	4,558	3,413	13,810	9,124

\$ '000	Actual 2009	Actual 2008
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(g). Restrictions relating to Grants and Contributions**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	7,329	11,352
add: Grants and contributions recognised in the current period which have not been spent:	5,865	5,170
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(5,114)	(9,193)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	751	(4,023)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	8,080	7,329
Comprising:		
- Specific Purpose Unexpended Grants	5,682	2,133
- Developer Contributions	2,304	5,196
- Other Contributions	94	-
	8,080	7,329

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a) Employee Benefits & On-Costs			
Salaries and Wages		16,239	14,879
Travelling		18	19
Employee Leave Entitlements (ELE)		2,173	1,458
Superannuation - Defined Contribution Plans		1,248	1,117
Superannuation - Defined Benefit Plans		419	219
Workers' Compensation Insurance		746	508
Fringe Benefit Tax (FBT)		109	107
Training Costs (other than Salaries & Wages)		202	110
Other		8	11
Total Employee Costs		21,162	18,428
less: Capitalised Costs		(514)	(538)
TOTAL EMPLOYEE COSTS EXPENSED		20,648	17,890
Number of "Equivalent Full Time" Employees at year end		298	285
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		310	308
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		219	265
Total Interest Bearing Liability Costs		219	265
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		219	265
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		219	265

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Materials & Contracts			
Raw Materials & Consumables		2,347	2,289
Contractor & Consultancy Costs			
- Waste Management		6,505	6,036
- Information Technology		482	434
- Cleaning		305	241
- Swimming Pool Management		176	72
- Golf Course Management		206	97
- Rate Payment Agencies		102	79
- Other		5,840	5,514
Auditors Remuneration - Audit Services (Council's Auditor)		40	43
Infringement Notice Contract Costs (SEINS)		143	154
Legal Expenses:			
- Legal Expenses - Planning & Development		402	589
- Legal Expenses - Other		248	293
- Legal Expenses - Debt Recovery		83	23
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		506	685
Total Materials & Contracts		17,385	16,549
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>17,385</u>	<u>16,549</u>
1. Operating Lease Payments are attributable to:			
- Computers		506	685
		506	685

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	647	859	-	-
Office Equipment	245	54	-	-
Furniture & Fittings	77	44	-	-
Land Improvements (depreciable)	456	415	-	-
Buildings - Non Specialised	1,412	576	-	-
Buildings - Specialised	186	162	-	-
Other Structures	472	496	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	3,264	3,340	-	-
- Stormwater Drainage	879	968	-	-
Other Assets				
- Library Books	319	266	-	-
- Other	23	25	-	-
Total Depreciation & Impairment Costs	7,980	7,205	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>	<u>7,980</u>	<u>7,205</u>	<u>-</u>	<u>-</u>

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		187	297
Agency Personnel		272	322
Bad & Doubtful Debts		130	-
Bank Charges		42	67
Child Care - Parent Fees		136	210
Contributions to Other Levels of Government			
- NSW Fire Brigade Levy		1,165	1,129
- Department of Planning Levy		134	131
- Local Government Shire Association		-	5
Councillor Expenses - Mayoral Fee		32	32
Councillor Expenses - Councillors' Fees		135	131
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		5	3
Donations, Contributions & Assistance to other organisations (Section 356)			
- Meals on Wheels Volunteers		7	8
- Other		239	189
Election Expenses		270	-
Electricity & Heating		333	288
Fuel & Oil		531	530
Insurance - Premiums		792	770
Insurance - Excess		199	109
Motor Vehicle Registrations		72	69
Postage		125	130
Printing & Stationery		155	128
Strata Levies		45	31
Street Lighting		787	756
Subscriptions & Publications		165	113
Telephone & Communications		406	513
Valuation Fees		90	89
Water		259	214
Other		383	272
Total Other Expenses		7,096	6,536
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		7,096	6,536

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
Plant & Equipment			
Proceeds from Disposal		817	803
less: Carrying Amount of P&E Assets Sold		(765)	(596)
Net Gain/(Loss) on Disposal		52	207
Financial Assets*			
Proceeds from Disposal		2,500	4,254
less: Carrying Amount of Financial Assets Sold		(2,500)	(4,500)
Net Gain/(Loss) on Disposal		-	(246)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>52</u>	<u>(39)</u>
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	(246)
Net Gain/(Loss) on Disposal of Financial Instruments		-	(246)

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	1,751	-	675	-
Cash-Equivalent Assets ¹				
- Deposits at Call	1,148	-	2,813	-
- Short Term Deposits	10,161	-	9,910	-
- NCD's, FRN's	-	-	1,484	-
Total Cash & Cash Equivalents	13,060	-	14,882	-
Investment Securities (Note 6b)				
- Equity Linked Notes	780	-	743	-
- NCD's, FRN's (with Maturities > 3 months)	-	943	-	2,146
- CDO's	251	-	2,321	-
Total Investment Securities	1,031	943	3,064	2,146
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	14,091	943	17,946	2,146

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

	13,060	-	14,882	-
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Investments

a. "At Fair Value through the Profit & Loss"

- "Held for Trading"

6(b-i)

	1,031	943	3,064	2,146
Investments	1,031	943	3,064	2,146

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6b. Investments (continued)

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	3,064	2,146	8,509	-
Revaluations (through the Income Statement)	(1,261)	24	(1,445)	(354)
Additions	-	500	-	-
Disposals (sales & redemptions)	(772)	(1,728)	(4,000)	(500)
Transfers between Current/Non Current	-	1	-	-
Transfers/Reclassifications from/(to) "Held to Maturity"	-	-	-	3,000
Balance at End of Year	1,031	943	3,064	2,146
Comprising:				
- Equity Linked Notes	780	-	743	-
- NCD's, FRN's (with Maturities > 3 months)	-	943	-	2,146
- CDO's	251	-	2,321	-
Total	1,031	943	3,064	2,146
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	-	-	-	3,000
Transfers/Reclassifications from/(to) "At Fair Value"	-	-	-	(3,000)
Balance at End of Year	-	-	-	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	14,091	943	17,946	2,146
attributable to:				
External Restrictions (refer below)	8,538	943	6,419	2,146
Internal Restrictions (refer below)	2,573	-	4,729	-
Unrestricted	2,980	-	6,798	-
	14,091	943	17,946	2,146

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	5,196	1,586	(4,478)	2,304
RTA Contributions (E)	-	132	(38)	94
Specific Purpose Unexpended Grants (F)	2,133	3,549	-	5,682
Domestic Waste Management (G)	467	350	(25)	792
Stormwater Management (G)	457	644	(930)	171
Sustainability Levy	312	678	(552)	438
External Restrictions - Other	8,565	6,939	(6,023)	9,481
Total External Restrictions	8,565	6,939	(6,023)	9,481

- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- F** Included in this balance is the unexpended grant received from the Commonwealth Government in the amount of \$2,661,000 received under the Community Infrastructure Strategic Projects Program for the Drummoyne Oval Precinct.
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments (continued)

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	705	1,381	(1,326)	760
Infrastructure Replacement	195	23	(180)	38
Employees Leave Entitlement	949	-	-	949
Carry Over Works	409	197	(225)	381
Wellbank Childrens Centre	5	42	-	47
Asset Acquisition	1,513	-	(1,500)	13
Concord Oval	209	-	-	209
Drummoyne Oval	119	48	(21)	146
Loan Repayment Sinking Fund	595	-	(595)	-
Election of Councillors	30	-	-	30
Total Internal Restrictions	4,729	1,691	(3,847)	2,573
TOTAL RESTRICTIONS	13,294	8,630	(9,870)	12,054

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	682	49	638	59
Interest & Extra Charges	42	46	49	56
User Charges & Fees	51	-	50	-
Private Works	2	-	9	-
Accrued Revenues				
- Interest on Investments	50	-	102	-
Government Grants & Subsidies	191	-	49	-
Net GST Receivable	140	-	611	-
Road Restorations	596	-	149	-
Employee Advances	44	-	49	-
General Debtors	764	-	238	-
Property Leases	140	-	66	-
Other Debtors	68	-	48	-
Total	2,770	95	2,058	115
less: Provision for Impairment				
Other Debtors	(130)	-	-	-
Total Provision for Impairment - Receivables	(130)	-	-	-
<u>TOTAL NET RECEIVABLES</u>	<u>2,640</u>	<u>95</u>	<u>2,058</u>	<u>115</u>
Externally Restricted Receivables				
Domestic Waste Management	206	-	179	-
Stormwater Management	22	-	20	-
Other				
- Environmental Levy	2	-	5	-
- Sustainability Levy	15	-	15	-
Total External Restrictions	245	-	219	-
Internally Restricted Receivables				
Nil				
Unrestricted Receivables	2,395	95	1,839	115
<u>TOTAL NET RECEIVABLES</u>	<u>2,640</u>	<u>95</u>	<u>2,058</u>	<u>115</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 10.00% (2008 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Inventories				
Stores & Materials	15	-	40	-
Total Inventories	15	-	40	-
Other Assets				
Prepayments	320	-	686	-
Total Other Assets	320	-	686	-
<u>TOTAL INVENTORIES & OTHER ASSETS</u>	<u>335</u>	<u>-</u>	<u>726</u>	<u>-</u>

(i) Externally Restricted Assets

Nil

Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	335	-	726	-
TOTAL INVENTORIES & OTHER ASSETS	<u>335</u>	<u>-</u>	<u>726</u>	<u>-</u>

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2008				Asset Movements during the Reporting Period			as at 30/6/2009				
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions	WDV Asset Disposals	Depreciation Expense	At Cost	At Fair Value	Accumulated Dep'n	Accumulated Impairment	Carrying Value
	Plant & Equipment	-	5,749	1,897	3,852	1,327	(655)	(647)	-	5,921	2,044	-
Office Equipment	-	1,012	216	796	9	(106)	(245)	-	915	461	-	454
Furniture & Fittings	-	893	292	601	129	-	(77)	-	1,022	369	-	653
Land:												
- Operational Land	-	38,562	-	38,562	937	-	-	-	39,499	-	-	39,499
- Community Land	633,856	-	-	633,856	-	-	-	633,856	-	-	-	633,856
- Land under Roads (purchased pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (purchased post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	12,034	-	1,860	10,174	1,078	-	(456)	13,112	-	2,316	-	10,796
Buildings - Non Specialised	-	60,287	25,611	34,676	9,389	-	(1,412)	-	69,676	27,023	-	42,653
Buildings - Specialised	-	6,622	3,443	3,179	-	-	(186)	-	6,622	3,629	-	2,993
Other Structures	10,989	-	3,188	7,801	5,437	-	(472)	16,426	-	3,660	-	12,766
Infrastructure:												
- Roads, Bridges, Footpaths	261,573	-	119,636	141,937	2,284	-	(3,264)	263,857	-	122,900	-	140,957
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	91,146	-	38,985	52,161	436	-	(879)	91,582	-	39,864	-	51,718
Other Assets:												
- Library Books	1,594	-	803	791	161	(4)	(319)	1,753	-	1,124	-	629
- Other	225	-	167	58	133	-	(23)	358	-	190	-	168
Restatement, Rehabilitation & Restoration Assets (refer Note 26:												
- Nil												
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,011,417	113,125	196,098	928,444	21,320	(765)	(7,980)	1,020,944	123,655	203,580	-	941,019

Land Improvements, Buildings-Non Specialised & Other Structures corrected to reflect correct categorisation as per Asset Accounting Manual. Investment properties & non-current assets have been excluded. Additions to Buildings & Infrastructure are made up of Asset Renewals & New Assets amounting to \$3.125M. Renewals are defined as replacements of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009Note 9b. Infrastructure, Property, Plant & Equipment
that is Externally Restricted

\$ '000 Class of Asset	Actual 2009				Actual 2008			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management Plant & Equipment	-	-	-	-	-	56	16	40
Total DWM	-	-	-	-	-	56	16	40
TOTAL RESTRICTED I,PP&E	-	-	-	-	-	56	16	40

Note 9c. Infrastructure, Property, Plant & Equipment
Gains/(Losses) arising from the Impairment of Assets

Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,898	-	4,883	-
Goods & Services - capital expenditure		356	-	1,258	-
Payments Received In Advance		27	-	54	-
Accrued Expenses;					
- Other Expenditure Accruals		688	-	328	-
Security Bonds, Deposits & Retentions		6,926	-	6,511	-
Payroll		189	-	193	-
Total Payables		10,084	-	13,227	-
Borrowings					
Loans - Secured ¹		713	2,578	739	3,291
Total Borrowings		713	2,578	739	3,291
Provisions					
Employee Benefits;					
Annual Leave		1,677	-	1,401	-
Sick Leave		392	-	400	-
Long Service Leave		3,720	318	3,230	292
Sub Total - Aggregate Employee Benefits		5,789	318	5,031	292
Self Insurance - Claims Incurred		72	-	92	-
Total Provisions		5,861	318	5,123	292
Total Payables, Borrowings & Provisions		16,658	2,896	19,089	3,583

(i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	562	-	1,131	-
Liabilities relating to externally restricted assets	562	-	1,131	-
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	562	-	1,131	-

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	2009	2008
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	3,662	4,556
Security Bonds, Deposits & Retentions	5,300	5,200
	8,962	9,756

Note 10b. Description of and movements in Provisions

Class of Provision	2008			2009		Closing Balance as at 30/6/09
	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,401	1,336	(1,060)	-	-	1,677
Sick Leave	400	11	(19)	-	-	392
Long Service Leave	3,522	826	(310)	-	-	4,038
Self Insurance	92	-	(20)	-	-	72
TOTAL	5,415	2,173	(1,409)	-	-	6,179

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,060	14,882
Less Bank Overdraft	10	-	-
BALANCES as per the CASH FLOW STATEMENT		13,060	14,882
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		10,736	6,650
Adjust for non cash items:			
Depreciation & Amortisation		7,980	7,205
Net Losses/(Gains) on Disposal of Assets		(52)	39
Non Cash Capital Grants and Contributions		(8,065)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		1,237	1,815
- Investment Properties		-	(639)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(692)	(17)
Increase/(Decrease) in Provision for Doubtful Debts		130	(22)
Decrease/(Increase) in Inventories		25	(13)
Decrease/(Increase) in Other Current Assets		366	33
Increase/(Decrease) in Payables		(2,985)	2,794
Increase/(Decrease) in other accrued Expenses Payable		360	(614)
Increase/(Decrease) in Other Current Liabilities		384	685
Increase/(Decrease) in Employee Leave Entitlements		784	(66)
Increase/(Decrease) in Other Provisions		(20)	21
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		10,188	17,871

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		150	150
Total Financing Arrangements		650	650
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		6	3
Total Financing Arrangements Utilised		6	3

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		4,968	185
Recreation Facilities		-	4,601
Total Commitments		4,968	4,786
These expenditures are payable as follows:			
Within the next year		4,968	4,786
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		4,968	4,786
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		4,968	4,786
Total Sources of Funding		4,968	4,786
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		6,218	12,421
Audit Services		240	-
Total Commitments		6,458	12,421
These expenditures are payable as follows:			
Within the next year		6,418	6,178
Later than one year and not later than 5 years		40	6,243
Later than 5 years		-	-
Total Payable		6,458	12,421

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		316	200
Later than one year and not later than 5 years		639	500
Total Non Cancellable Operating Lease Commitments		955	700

Conditions relating to Operating Leases:

- All Operating Lease Agreement are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

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

Within the next year	927	892
Later than one year and not later than 5 years	782	1,637
Total Payable	1,709	2,529

(g) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 2008 2007	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>8,283</u>	1.16 : 1	1.72	1.36
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>7,134</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>958</u>	1.98%	2.37%	2.47%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>48,499</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>34,816</u>	54.22%	59.62%	63.52%
Revenue from Continuing Operations	<u>64,209</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>819</u>	2.29%	2.38%	1.87%
Rates, Annual & Extra Charges Collectible	<u>35,787</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>3,125</u>	54.43%	55.98%	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>5,741</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 13a. Statement of Performance Measurement - Graphs

\$ '000

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>1.64</td> </tr> <tr> <td>2007</td> <td>1.36</td> </tr> <tr> <td>2008</td> <td>1.72</td> </tr> <tr> <td>2009</td> <td>1.16</td> </tr> </tbody> </table>	Year	Ratio : 1	2006	1.64	2007	1.36	2008	1.72	2009	1.16	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 1.16 : 1</p> <p>The ratio for 2008/09 is indicative that Council has sufficient short term assets to cover short term liabilities. The 2009 result reflects the impact of further fair valuation movements in Investments.</p>
Year	Ratio : 1											
2006	1.64											
2007	1.36											
2008	1.72											
2009	1.16											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>2.73%</td> </tr> <tr> <td>2007</td> <td>2.47%</td> </tr> <tr> <td>2008</td> <td>2.37%</td> </tr> <tr> <td>2009</td> <td>1.98%</td> </tr> </tbody> </table>	Year	Ratio %	2006	2.73%	2007	2.47%	2008	2.37%	2009	1.98%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 1.98%</p> <p>Improving ratio reflects repayment of debt and absence of new borrowings since 2004. Borrowings have been approved but not yet taken up in the amount of \$4M for Concord Library and are being considered for the Water Mining Project. Council's Long Term Financial Plan has set an upper target for its Debt Service Ratio at 5%.</p>
Year	Ratio %											
2006	2.73%											
2007	2.47%											
2008	2.37%											
2009	1.98%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>62.40%</td> </tr> <tr> <td>2007</td> <td>63.52%</td> </tr> <tr> <td>2008</td> <td>59.62%</td> </tr> <tr> <td>2009</td> <td>54.22%</td> </tr> </tbody> </table>	Year	Ratio %	2006	62.40%	2007	63.52%	2008	59.62%	2009	54.22%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 54.22%</p> <p>Ratio reflects the additional non rate and annual charge income received in 2009 compared to previous years. This was mainly in the area of Grants and Contributions for Capital purposes which amounted to \$13.8M compared to \$9.1M in 2008.</p>
Year	Ratio %											
2006	62.40%											
2007	63.52%											
2008	59.62%											
2009	54.22%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>2.81%</td> </tr> <tr> <td>2007</td> <td>1.87%</td> </tr> <tr> <td>2008</td> <td>2.38%</td> </tr> <tr> <td>2009</td> <td>2.29%</td> </tr> </tbody> </table>	Year	Ratio %	2006	2.81%	2007	1.87%	2008	2.38%	2009	2.29%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 2.29%</p> <p>Result is within Council's Target of 3% and remains significantly better than the industry benchmark of 5%.</p>
Year	Ratio %											
2006	2.81%											
2007	1.87%											
2008	2.38%											
2009	2.29%											

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 14. Investment Properties

\$ '000	Actual 2009	Actual 2008
(a) Investment Properties at Fair value		
<u>Investment Properties on Hand</u>	<u>16,156</u>	<u>16,226</u>
Reconciliation of Annual Movement:		
Opening Balance	16,226	24,074
- Net Gain/(Loss) from Fair Value Adjustments	-	639
- Transfers from/(to) Owner Occupied (Note 9)	(70)	(8,487)
CLOSING BALANCE - INVESTMENT PROPERTIES	<u>16,156</u>	<u>16,226</u>

(b) Valuation Basis

The basis of Valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(c) Contractual Obligations at Reporting Date

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

(d) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	250	243
- Other Income	9	8
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(20)	(31)
Net Revenue Contribution from Investment Properties	<u>239</u>	<u>220</u>
plus:		
Fair Value Movement for year	<u>-</u>	<u>639</u>
Total Income attributable to Investment Properties	<u>239</u>	<u>859</u>

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2009	2008	2009	2008
Financial Assets				
Cash and Cash Equivalents	13,060	14,882	13,060	14,882
Investments				
- "Held for Trading"	1,974	5,210	1,974	5,210
Receivables	2,735	2,173	2,735	2,173
Total Financial Assets	17,769	22,265	17,769	22,265
Financial Liabilities				
Payables	10,057	13,173	10,057	13,173
Loans / Advances	3,291	4,030	3,291	4,111
Total Financial Liabilities	13,348	17,203	13,348	17,284

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current mkt 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.

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets "at fair value through the profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

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

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

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

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

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

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

Council also seeks advice from 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.

2009	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	197	197	(197)	(197)
Possible impact of a 1% movement in Interest Rates	130	130	(130)	(130)
2008				
Possible impact of a 10% movement in Market Values	521	521	(521)	(521)
Possible impact of a 1% movement in Interest Rates	149	149	(149)	(149)

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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:

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	1,688	-	1,160
Past due by up to 30 days	-	316	-	53
Past due between 31 and 180 days	-	116	-	101
Past due between 181 and 365 days	583	14	542	53
Past due by more than 1 year	148	-	155	109
	<u>731</u>	<u>2,134</u>	<u>697</u>	<u>1,476</u>

(ii) Movement in Provision for Impairment of Receivables

	2009	2008
Balance at the beginning of the year	-	22
+ new provisions recognised during the year	130	-
- amounts already provided for & written off this year	-	(22)
Balance at the end of the year	<u>130</u>	<u>-</u>

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2009									
Trade/Other Payables	6,926	3,131	-	-	-	-	-	10,057	10,057
Loans & Advances	-	888	831	831	831	380	-	3,761	3,291
Total Financial Liabilities	6,926	4,019	831	831	831	380	-	13,818	13,348
2008									
Trade/Other Payables	6,511	6,662	-	-	-	-	-	13,173	13,173
Loans & Advances	-	958	888	831	831	831	380	4,719	4,030
Total Financial Liabilities	6,511	7,620	888	831	831	831	380	17,892	17,203

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:

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,057	0.0%	13,173	0.0%
Loans & Advances - Fixed Interest Rate	3,291	6.3%	4,030	6.4%
	<u>13,348</u>		<u>17,203</u>	

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 17 June 2008.

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

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

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

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

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
REVENUES					
Rates & Annual Charges	34,587	34,816	229	1%	F
* Favourable variation the result of increase in number of rateable properties resulting from property developments across the local government area.					
User Charges & Fees	6,277	7,404	1,127	18%	F
* Fees from water, electricity and gas utilities for road & path restorations \$500K better than budget. Reflects increased amount of work carried out by these authorities.					
* Fees from private works \$194K better than budget. Reflects increased volume of work tendered for and won.					
* Fees from hire of parks, sports fields and halls \$126K better than budget.					
* DA Fees \$102K better than budget.					
Interest & Investment Revenue	1,045	(145)	(1,190)	(114%)	U
* Unbudgetted 'Fair Value' adjustments of \$1.522 million required to reflect the decline in market value of structured credit investments. It is anticipated that further write downs will not be required.					
Other Revenues	3,291	3,569	278	8%	F
* Waste Performance Payment received from Dept of Environment & Climate Change recognising Council's efforts in reducing waste and improving waste services exceeded budget by \$50K.					
* Rents received from Council's properties exceeded budget by \$71K.					
* Recovery of legal costs exceeded budget by \$120K.					

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
REVENUES (continued)					
Operating Grants & Contributions	3,535	4,558	1,023	29%	F
* Advance payment of a quarter of the 2010 Financial Assistance Grant in the amount of \$459K. Result of the Federal Governments initiatives aimed at supporting local communities. Funds have been restricted for expenditure in 2010.					
* Grants received from the RTA under its Repair Program in the amount of \$350K which were not anticipated when budgets were prepared. Funds were used for works at Lyons Rd West and Cycleways.					
* Unbudgetted contributions comprising \$66K received from various community groups to support Council programs along with \$40K from State Cover Insurance Scheme to support Council's OH&S initiatives.					
Capital Grants & Contributions	2,263	13,810	11,547	510%	F
* Original Budget did not include provision for the receipt of 16 units at 25-27 George St North Strathfield which were transferred to Council as part of a 93F Planning Agreement. The aggregate value of the units is \$8.1M					
* Original Budget did not include provision for the receipt of \$2.6M grant from the Commonwealth for alterations to Drummoyne Oval's existing grandstand and construction of a new multi-use facility. Total grant approved is \$5.3M					
Net Gains from Disposal of Assets	-	52	52	0%	F
* Proceeds from sale of plant and equipment including net gains are included in Council's Capital Budget and as a result are not matched against Income Statement Actuals.					
EXPENSES					
Employee Benefits & On-Costs	20,094	20,648	(554)	(3%)	U
* Employee oncosts including leave entitlement accruals and workers compensation premiums exceeded budget by \$309K.					
* Staff training costs exceeded budget by \$40K reflecting cost of customer service awareness training provided to all staff.					
* Salary and Wages exceeded budget by \$222K. Variation due to anticipated efficiency savings being budgetted for from Employee Expenses but being realised from Borrowing Costs and User Charges.					
Borrowing Costs	527	219	308	58%	F
* Planned loan borrowings of \$4M deferred until more favourable interest rates are available. As a result, anticipated interest repayments on the loan were not required.					
Materials & Contracts	18,043	17,385	658	4%	F
Depreciation & Amortisation	7,500	7,980	(480)	(6%)	U
Other Expenses	7,060	7,096	(36)	(1%)	U

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	5,298	10,188	4,890	92.3%	F
* Original Budget did not include provision for the receipt of \$2.6M grant from the Commonwealth for alterations to Drummoyne Oval's existing grandstand and construction of a new multi-use facility. Total grant approved is \$5.3M					
Cash Flows from Investing Activities	(11,100)	(11,271)	(171)	1.5%	U
Cash Flows from Financing Activities	(739)	(739)	-	0.0%	F

Budget Variations relating to Council's Operating Result by Functions include as reported in Note 2a:

Reasons for variations as reported in Note 2a have been explained in the above analysis of revenue and expense results.

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

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

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	94	-	-	-	-	-	94	-	(94)	-	94
Roads	1,736	(767)	-	-	(275)	-	694	1,000	(1,794)	(100)	-
Infrastructure	18	-	-	-	-	-	18	-	(18)	-	18
Parking	454	-	-	-	(327)	-	127	-	(127)	-	61
Open Space	1,407	605	-	-	(535)	-	1,477	1,000	(2,477)	-	-
Community Facilities	289	460	-	-	(891)	-	(142)	1,173	(1,031)	-	(173)
S94 Contributions - under a Plan	3,998	298	-	-	(2,028)	-	2,268	3,173	(5,541)	(100)	-
S94A Levies - under a Plan	698	1,288	-	-	(1,950)	-	36				-
Total S94 Revenue Under Plans	4,696	1,586	-	-	(3,978)	-	2,304				-
S93F Planning Agreements	500	-	8,065	-	(500)	-	-				-
Total Contributions	5,196	1,586	8,065	-	(4,478)	-	2,304	3,173	(5,541)	(100)	-

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Concord Area

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,736	(767)	-	-	(275)	-	694	1,000	(1,794)	(100)	-
Parking	66	-	-	-	-	-	66	-	(66)	-	-
Open Space	1,407	605	-	-	(535)	-	1,477	1,000	(2,477)	-	-
Community Facilities	472	450	-	-	(891)	-	31	1,000	(1,031)	-	-
Total	3,681	288	-	-	(1,701)	-	2,268	3,000	(5,368)	(100)	-

CONTRIBUTION PLAN - Drummoyne Area

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	94	-	-	-	-	-	94	-	(94)	-	94
Infrastructure	18	-	-	-	-	-	18	-	(18)	-	18
Parking	327	-	-	-	(327)	-	-	-	-	-	-
- Great North Road	61	-	-	-	-	-	61	-	(61)	-	61
- Victoria Road	(183)	10	-	-	-	-	(173)	173	-	-	(173)
Community Facilities	317	10	-	-	(327)	-	-	173	(173)	-	-
Total	317	10	-	-	(327)	-	-	173	(173)	-	-

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	698	1,288	-	-	(1,950)	-	36	8,500	(8,536)	-	-
Total	698	1,288	-	-	(1,950)	-	36	8,500	(8,536)	-	-

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme estimates that Council's share of the deficit as at 30 June 2009 is \$1.513 million. Being an estimate only of its share of the net deficit, Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit are now set at twice the notional cost for a period of up to ten years to assist the scheme to rectify the net deficit position. Contributions are recognised as an expense when they become payable - similar to the accounting for Defined Benefit Contributions Plans.

There is potential however for the LGSS to require an immediate contribution to remedy the deficit should it deem it necessary.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED:

2. Other Liabilities

(i). Third Party Claims

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

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

(ii) S94 Plans

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

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

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

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

(iii) Legal Matters

(a) Legal matter

CITY OF CANADA BAY COUNCIL v PHOENIX COMMERCIAL ENTERPRISES

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

(iii) Legal Matters (continued)

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

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

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000

The following Subsidiaries, Associated Entities & Joint Ventures have not been recognised in this Financial Report.

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

As at 30 June 2009 Council has a 6.55% interest in the equity of Metro Pool. The equity position has not been recognised in this Financial Report.

Name of Entity/Operation	Principal Activity/Type of Entity	2009 Net Profit	2009 Net Assets
Metro Pool	Insurance Group. Council was a former member and retains equity in the Pool.	(32)	266

City of Canada Bay

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		911,624	913,514
a. Correction of Prior Period Errors	20 (c)	-	(8,540)
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		10,736	6,650
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		922,360	911,624

b. Reserves

Council has no reportable Equity Reserves.

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	33,365	33,365
Total	33,365	33,365

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	33,365	-
- Revaluations for the year	-	33,365
- Balance at End of Year	33,365	33,365
TOTAL VALUE OF RESERVES	33,365	33,365

(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.

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
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c. Correction of Error/s relating to a Previous Reporting Period

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

Council revalued the following asset classes for the 07/08 Year End:

- Buildings

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/08 to reflect the correct value of accumulated depreciation;

- Buildings - Non Specialised increase/(decrease) to cost	1,604
- Buildings - Non Specialised (increase)/decrease to accumulated depreciation	(10,144)

This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/08.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/07 (relating to adjustments for the 30/6/07 reporting year end and prior periods)	-	(8,540)
- Adjustments to Closing Equity - 30/6/08 (relating to adjustments for the 30/6/08 year end)	-	-
Total Prior Period Adjustments - Prior Period Errors	-	(8,540)

d. Voluntary Changes in Accounting Policies

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

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2009, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 27/10/09.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2009.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2009 and which are only indicative of conditions that arose after 30 June 2009.

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

Note 24. Discontinued Operations

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

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 25. Intangible Assets

\$ '000

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

City of Canada Bay

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

1A Marlborough Street
Drummoyne NSW 2047

Contact Details**Mailing Address:**

Locked Bag 1470
Drummoyne NSW 2047

Telephone: 02 9911 6555

Facsimile: 02 9911 6550

Opening Hours

8.30 am to 4.30 pm
Monday to Friday

Internet: www.canadabay.nsw.gov.au

Email: council@canadabay.nsw.gov.au

Officers**GENERAL MANAGER**

Mr. Gary Sawyer

RESPONSIBLE ACCOUNTING OFFICER

Mr. Bruce Cook

PUBLIC OFFICER

Mr. Bruce Cook

AUDITORS

PriceWaterhouseCoopers

Elected Members**MAYOR**

Mayor Angelo Tsirekas

COUNCILLORS

Cr. Mirjana Cestar

Cr. Tony Fasanella

Cr. Neil Kenzler

Cr. Helen McCaffrey

Cr. Michael Megna

Cr. Marian O'Connell

Cr. Jeanette O'Hara

Cr. Pauline Tyrrell

Other Information

ABN: 79 130 029 350

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

Scope

We have audited the financial report of **City of Canada Bay Council** for the financial year ended 30 June 2009 as set out on pages 1 to 72. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

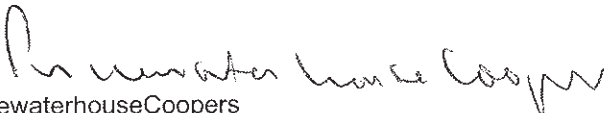
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the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

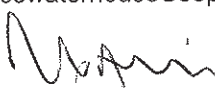
The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion:

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


PricewaterhouseCoopers



R L Gavin
Partner

27 October 2009

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

Dear Councillor Tsirekas,

**REPORT ON THE CONDUCT OF THE AUDIT OF
THE CITY OF CANADA BAY COUNCIL
FOR YEAR ENDED 30TH JUNE, 2009 - SECTION 417(3)**

We have completed our audit of the financial reports of the City of Canada Bay Council for the year ended 30th June 2009, in accordance with Section 415 of the Local Government Act, 1993.

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

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

Operating Result

Council's Operating Result improved from a surplus of \$6.6m in the previous year to a surplus of \$10.7m in the current period. The increase was mainly the result of higher capital grants and contributions (up \$4.7m).

Cash Position

The Council's overall cash position fell from \$20m to \$15m during the period under review, as the table below demonstrates:

	6/08	6/09
	<u>\$m</u>	<u>\$m</u>
Externally Restricted	8.6	9.5
Internally Restricted	4.7	2.6
Unrestricted	<u>6.8</u>	<u>3.0</u>
<i>Total</i>	<i>20.1</i>	<i>15.1</i>

Working Capital

Council's net current assets fell from \$1.6m to \$408K during the period under review.

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

	6/08	6/09
	<u>\$'000</u>	<u>\$'000</u>
Net Current Assets	1,641	408
<u>Less</u>		
External Restrictions	6,419	8,538
Internal Restrictions	<u>4,729</u>	<u>2,573</u>
<u>Sub Total</u>	(9,507)	(10,703)
<u>Add</u>		
Current Liabilities to be funded from other sources	<u>10,970</u>	<u>11,802</u>
<i>Available Working Capital</i>	<u>\$1,463</u>	<u>\$1,099</u>

The Available Working Capital upon which Council could build its 2009/10 budget was a \$1.1m deficit.

Performance Indicators

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

	6/08	6/09
	%	%
Unrestricted Current Ratio	172	116
Debt Service Ratio	2.39	1.98
Rate Coverage Ratio	60	54
Rates Outstanding Ratio	2.38	2.29
Asset Renewal Ratio	56	54

The Unrestricted Current Ratio declined but remained above the industry benchmark of 100%.

The Debt Service Ratio improved to 1.98% of operating revenue reflecting the drop in outstanding loans from \$4m to \$3.3m. The ratio is well below the industry benchmark of 10%.

The Rate Coverage Ratio declined to around 54% of total revenue, reflecting the increase in capital grants and contributions previously discussed.

The Rates Outstanding Ratio improved to 2.29% of collectables and remains better than the industry benchmark of 5%.

The Asset Renewal Ratio indicates that key infrastructure is being received at 54% of the rate at which it is depreciating.

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

Investments

Since July 2007 global financial markets have experienced a period of high volatility led by events in the United States housing market, particularly sub-prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets, including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other managed funds.

At 30 June 2009 Council's investment portfolio totalled \$15m and included securities that have been impacted by this market volatility. These securities were principally CDOs and Equity Linked Notes which were written down by \$1.3m to their fair value.

Land Under Roads

Council elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. No new land under roads was acquired during the current reporting period.

General

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

Yours faithfully,



R L Gavin
Partner
Sydney, 27 Oct 2009



FINANCIAL
REPORT
2008/09

SPECIAL PURPOSE FINANCIAL REPORT

For the year ended 30 June 2009

City of Canada Bay

Special Purpose Financial Reports for the financial year ended 30 June 2009

Council has resolved that it does not operate any business activities as set out in the National Competition Policy and Department of Local Government Guidelines.

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



FINANCIAL
REPORT
2008/09

SPECIAL SCHEDULES

For the year ended 30 June 2009

City of Canada Bay

Special Schedules

for the financial year ended 30 June 2009

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- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
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¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the Department of Energy, Utilities & Sustainability (DEUS), and
 - the Department of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of specific service financial activities.
-

City of Canada Bay

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2009

\$'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	2,129	2,129	31	-	31	(2,098)	(2,098)
Administration							
Corporate Support	12,992		3,310	9,651		(31)	
Engineering and Works	2,757		177	-		(2,580)	
Other Support Services	-	15,749	-	-	13,138	-	(2,611)
Public Order and Safety							
Contributions to Fire Service Levy	1,165		39	-		(1,126)	
Fire Protection – Other	-		-	-		-	
Animal Control	7		22	-		15	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regs	861		989	-		128	
Emergency Services	96		17	-		(79)	
Other	-	2,129	-	-	1,067	-	(1,062)
Health							
Administration and Inspection	237		68	-		(169)	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
Other	-	237	-	-	68	-	(169)
Community Services and Education							
Administration	349		76	-		(273)	
Family Day Care	285		250	-		(35)	
Child Care	865		904	-		39	
Youth Services	9		4	-		(5)	
Other Families and Children	120		68	-		(52)	
Aged and Disabled	501		256	-		(245)	
Migrant Services	-		-	-		-	
Aboriginal Services	-		-	-		-	
Other Community Services	-		-	-		-	
Education	29	2,158	-	-	1,558	(29)	(600)

City of Canada Bay

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2009

\$'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
Housing and Community Amenities							
Housing	2,632		1	-		(2,631)	
Town Planning	636		1,144	-		508	
Domestic Waste Management	7,357		8,899	-		1,542	
Other Waste Management	-		-	-		-	
Street Cleaning	861		-	-		(861)	
Other Sanitation and Garbage	548		26	-		(522)	
Drainage	-		-	-		-	
Stormwater Management	1,151		-	474		(677)	
Environmental Protection	510		104	-		(406)	
Public Cemeteries	-		-	-		-	
Public Conveniences	266		-	293		27	
Other Community Amenities	-	13,961	-	-	10,941	-	(3,020)
Water Supplies	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-
Recreation and Culture							
Public Libraries	1,926		241	20		(1,665)	
Museums	-		-	-		-	
Art Galleries	-		-	-		-	
Community Centres	78		105	-		27	
Public Halls	36		113	-		77	
Other Cultural Services	391		313	-		(78)	
Swimming Pools	306		-	28		(278)	
Sporting Grounds	1,239		274	2,661		1,696	
Parks and Gardens (Lakes)	1,295		66	263		(966)	
Other Sport and Recreation	1,478	6,749	1,388	3	5,475	(87)	(1,274)
Fuel and Energy							
Gas Supplies	-	-	-	-	-	-	-
Mining, Manufacturing and Construction							
Building Control	1,860		274	-		(1,586)	
Abattoirs	-		-	-		-	
Quarries and Pits	-		-	-		-	
Other	-	1,860	-	-	274	-	(1,586)

City of Canada Bay

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2009

\$'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
Transport and Communication							
Urban Roads (UR) - Local	3,913		552	169		(3,192)	
Urban Roads - Regional	23		-	-		(23)	
Sealed Rural Roads (SRR) - Local	-		-	-		-	
Sealed Rural Roads - Regional	-		-	-		-	
Unsealed Rural Roads (URR) - Local	-		-	-		-	
Unsealed Rural Roads - Regional	-		-	-		-	
Bridges on UR - Local	5		-	48		43	
Bridges on UR - Regional	-		-	-		-	
Bridges on SRR - Local	-		-	-		-	
Bridges on SRR - Regional	-		-	-		-	
Bridges on URR - Local	-		-	-		-	
Bridges on URR - Regional	-		-	-		-	
Footpaths	614		-	-		(614)	
Aerodromes	-		-	-		-	
Parking Areas	26		-	-		(26)	
Bus Shelters and Services	50		-	-		(50)	
Water Transport	-		-	-		-	
RTA Works (State)	-		42	-		42	
Street Lighting	787		142	-		(645)	
Other	2,211	7,629	1,206	200	2,359	(805)	(5,270)
Economic Affairs							
Camping Areas	-		-	-		-	
Caravan Parks	-		-	-		-	
Tourism and Area Promotion	394		425	-		31	
Industrial Development Promotion	-		-	-		-	
Saleyards and Markets	-		-	-		-	
Real Estate Development	-		-	-		-	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	478	872	635	-	1,060	157	188
Totals – Functions		53,473	22,161	13,810	35,971		(17,502)
General Purpose Revenues⁽¹⁾			28,238		28,238	28,238	28,238
Share of interests - joint ventures & associates using the equity method	-	-	-	-	-	-	-
NET OPERATING RESULT FOR YEAR		53,473	50,399	13,810	64,209	10,736	10,736

Notes:

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

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

for the financial year ended 30 June 2009

\$'000

Classification of Debt	Principal outstanding at beginning of the year		New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year	
	Current	Non Current		From Revenue	Sinking Funds			Current	Non Current
Loans (by Source)									
Financial Institutions	739	3,291	-	739	-	-	219	713	2,578
Other	-	-	-	-	-	-	-	-	-
Total Loans	739	3,291	-	739	-	-	219	713	2,578
Other Long Term Debt									
Total Long Term Debt	-	-	-	-	-	-	-	-	-
Total Debt	739	3,291	-	739	-	-	219	713	2,578

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFRR's).

City of Canada Bay

Special Schedule No. 8 - Financial Projections

as at 30 June 2009

\$'000	Actual ⁽¹⁾ 08/09	Forecast 09/10	Forecast 10/11	Forecast ⁽³⁾ 11/12	Forecast ⁽³⁾ 12/13
(i) RECURRENT BUDGET					
Income from continuing operations	64,209	61,334	57,450	58,472	59,950
Expenses from continuing operations	53,473	55,656	57,433	59,237	60,994
Operating Result from Continuing Operations	<u>10,736</u>	<u>5,678</u>	<u>17</u>	<u>(765)</u>	<u>(1,044)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	18,195	6,900	-	-	-
Replacement/Refurbishment of Existing Assets	3,125	7,613	7,017	6,235	5,957
Total Capital Budget	<u>21,320</u>	<u>14,513</u>	<u>7,017</u>	<u>6,235</u>	<u>5,957</u>
Funded by:					
- Loans	-	-	-	-	-
- Asset sales	-	1,000	1,000	1,000	1,000
- Reserves	11,092	4,813	-	-	-
- Grants/Contributions	8,284	6,300	4,017	4,235	3,957
- Recurrent revenue	1,944	2,400	2,000	1,000	1,000
- Other	-	-	-	-	-
	<u>21,320</u>	<u>14,513</u>	<u>7,017</u>	<u>6,235</u>	<u>5,957</u>

Notes:

(1) From 08/09 Income Statement.

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

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