



**COFFS HARBOUR CITY COUNCIL  
SUPPLEMENTARY AGENDA  
COUNCIL CHAMBERS  
COUNCIL ADMINISTRATION BUILDING  
COFF AND CASTLE STREETS, COFFS HARBOUR  
15 NOVEMBER 2007**

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## **COFFS HARBOUR CITY COUNCIL**

### **ORDINARY MEETING**

**15 NOVEMBER 2007**

#### **CORPORATE BUSINESS DEPARTMENT REPORT**

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#### **C83 FINANCIAL REPORTS - 2006/2007**

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##### **Purpose:**

Consideration of the audited financial reports for the year ended 30 June 2007.

##### **Description of Item:**

A set of audited financial reports for the year ended 30 June 2007 will be presented at the 15 November 2007 Corporate Business meeting. The reports will be submitted to the Department of Local Government on 16 November 2007.

The financial reports and auditors reports will be presented at the meeting in conjunction with this report as required under S 419(1) of the Local Government Act.

Council's auditor, Mr Darran Singh, will address the Councillors and executive staff at 4pm on Thursday 15 November 2007 in relation to Council's financial reports, the Auditors Report and will discuss Council's financial position.

The financial reports consist of three distinct sections:

1. The General Purpose Financial Reports.
2. The Special Purpose Financial Reports.
3. The Special Schedules

The General Purpose Financial Reports and Special Purpose Financial Reports are the reports required to be produced by the Australian International Financial Reporting Standards whilst the Special Schedules contain additional information required for the Local Government Grants Commission, Department of Water and Energy and Department of Local Government.

Local government reporting is similar to commercial reporting. In fact under the requirements of National Competition Policy comparisons (which are disclosed in the Special Purpose Financial Reports) between Council's business activities (ie water, sewer, airport) and similar private sector activities can be performed. Specialised aspects related to Local Government have been catered for in a separate standard, i.e., Australian Accounting Standard 27 (AAS 27). Council currently complies with all relevant Australian Accounting Standards.

It should be recognised that the General Purpose Reports provide a consolidated picture of a council's operation and financial position. For a multi-purpose council, such as Coffs Harbour City Council, the results achieved by each traditional fund (General, Water and Sewerage) are lost. Also, internal transactions are eliminated, e.g., water charges met by Parks and Gardens are reversed.

The sections of the financial reports are set out below:

1. General Purpose Financial Reports

In relation to the specific reports included in the General Purpose Financial Reports, the following comments are made:

- a) Council Certificate.
- b) Income Statement (page 2)

The factors contributing to the operating results have been covered in the auditor's report (pages v to xi).

More specific comments in relation to components of the Income Statement are made later in this report when the Notes are covered. The Notes commence on page N1 of the financial reports.

It should be recognised that the operating result cannot be directly compared to the result as reported to Council on 20<sup>th</sup> September 2007 in relation to the June 2007 budget review. This fact should also be considered when reading Note 16 of the General Purpose Financial Reports. The factors impacting such a comparison include:

- (i) The consolidated approach to the General Purpose Financial Reports.
  - (ii) Capital expenditure is included in the Balance Sheet (not part of the operating result).
  - (iii) The elimination of internal transactions in the General Purpose Financial Reports.
  - (iv) The impact of revotes does not reflect in the financial reports other than in terms of the expenditure levels and funds on hand.
- c) Balance Sheet (page 3)

For a further break up of information on the Balance Sheet refer to the specific "Notes" which commence on page N1 of the financial reports.

The Balance Sheet sets out the assets, liabilities and equity. Equity represents, the stakeholders (ratepayers) net funds tied up in the consolidated Council business. In theory, if the Council was disbanded and all the assets and liabilities were disposed of, the net funds available would represent the equity balance, which would be distributed to the stakeholders. There may be some difficulty in selling some of the infrastructure assets though, e.g., parks, reserves, roads, drainage and bridges.

d) Statement of Changes in Equity (page 4)

This statement shows the change in Equity for the year as reflected in the "Balance Sheet" (page 3), i.e., from a commencing balance of \$842.078m to a closing balance of \$956.952m. The significant reasons for the increase of \$114.874m relate to the Operating Surplus from Continuing Operations (\$30.279m) and the revaluation of water & sewerage infrastructure assets at fair value as at 30 June 2007 (\$83.623m).

e) Cash Flow Statement (page 5)

This statement shows the movements in cash for the year. The movements are broken down into operating, investing (asset) and financing (borrowing's and advances) activities. Non cash movements or accruals are recorded at the time a transaction occurs regardless of whether cash has been paid or received. These transactions are excluded in the Cash Flow Statement (as this note only reports on a transaction when cash has been paid or received), and this difference in accounting can be seen by comparing the "Cash Flow from Continuing Operations" with the "Income Statement" (page 2), which is set out below:

*Continuing Operations:*

	<b>Income Statement (Revenue/Expenses based on accruals) \$'000</b>	<b>Cash Flow Statement (Receipts/Payments based on cash) \$'000</b>
<u>Revenue / Receipts</u>		
Rates and Annual Charges	48,637	48,036
User Charges and Fees	17,517	18,763
Interest and investment revenue	9,725	8,904
Grants and Contributions	36,103	27,322
Other Revenues	4,519	12,860
Net gain from disposal of assets	<u>978</u>	<u>0</u>
	<u>117,479</u>	<u>115,885</u>
<u>Expenses / Payments</u>		
Employee Costs	26,150	25,280
Materials and Contracts	21,678	25,129
Borrowing Costs	7,186	6,599
Depreciation and Amortisation	25,022	0
Impairment	26	0
Other Operating Payments	<u>7,138</u>	<u>13,936</u>
	<u>87,200</u>	<u>70,944</u>
Net Surplus / Net Cash	30,279	44,941

The "Cash Flow Statement", being a "cash" statement, reconciles to the cash on hand.

Note 11, "Reconciliation to Cash Flow Statement" (page N26), provides additional details and in particular the variations which contributed to the "cash" view as compared to the accrued view as reflected in the "Income Statement" (page 2).

- (f) "Notes", most of which can be related by number to entries in the Income Statement, Balance Sheet & Cash Flow Statement.

Comments in relation to some of the "notes" are set out below:

- (i) Note 1 (page N1 to N12):

Outlines the significant accounting policies complied with and other matters of note affecting the financial reports. It is important to read this note as it provides background information that contributes to the understanding of the principles behind the preparation of the reports.

- (ii) Note 2 (page N13 to N14):

Provides a functional break up, based on Council's Management Plan, of the sources of operating revenues and expenditures and total assets on hand. It should be noted that the "Original Budget" figures, whilst of interest, bear little resemblance to the "Actual" figures in many instances due to the time gap in their preparation.

- (iii) Notes 3 and 4 (pages N15 to N20):

These Notes show a more comprehensive break up of expenditure and income to that reflected in the "Income Statement" (page 2).

- (iv) Note 5 (page N21):

This note shows gain or loss on disposal of Council assets

- (v) Note 6 (pages N22 and N23):

The "Restricted Cash and Investments Summary" part of this note requires explanation. "External Restrictions" are restrictions due to regulation, i.e. , they are compulsory. They include unexpended loans, developer contributions on hand, specific purpose grants not spent and the balance of water supply, sewerage and domestic waste funds. "Internal Restrictions" are restrictions imposed at the option of Council for long term planning reasons (see the auditor's report, page xii, 8.1.1 Cash and Investments). For a dissection by fund of Council's restricted cash and investments please see the attachment.

The total unrestricted cash and investments have decreased from \$2.495m in 2005/06 to \$1.964m in 2006/07 (see the auditor's report page xii, Cash and Investments and page xvii 9(a) Performance Indicators – Unrestricted Current Ratio).

(vi) Note 7 (page N24):

Outlines current and non-current receivables (debtors). Total debts have increased from \$8.454m to \$13.412m due largely to a increase in grant debtors mostly relating to Hogbin Drive Extension works.

(vii) Note 8 Inventories and Other Assets (page N25):

Have increased from \$2.222m in 2005/06 to \$2.36m in 2006/07 due largely to an increase in prepaid expenses.

(viii) Note 9 (pages N26 and N27):

Shows total infrastructure, property, plant and equipment on hand (page N26) and restricted infrastructure property, plant and equipment on hand (page N27).

The total value of infrastructure, property, plant and equipment has increased by \$79.08m to \$887.593m in the year, after allowing for an increase of \$55.764m in accumulated depreciation. This increase in infrastructure, property, plant and equipment is largely an aggregation of:

1. A reduction in the carrying amount of infrastructure assets resulting from the transfer of Regional Water Supply Assets as at 30 June 2006 (\$31.983m) to being recognised as an Intangible Asset;
2. An increase in the carrying amount infrastructure assets resulting from the construction of major sewer works \$8.776m;
3. Revaluation of Water and Sewerage Network Assets of \$83.266m; and
4. An increase in the carrying amount of various works in progress \$20.642m.

The restricted assets relate to the water supply, sewerage and domestic waste services.

(ix) Note 10 (page N28):

The "Interest Bearing Liabilities" section of this Note shows that loan liabilities increased by \$36.424m to \$108.59m in the year, which was primarily due to new loans for the general and airport purposes (\$7.744m), water fund (\$17m) and sewer fund (\$20m).

(x) Note 11 (page N30 to N31):

See comments above regarding the Cash Flow Statement.

(xi) Note 12 (page N32):

The purpose of this disclosure is to show firm commitments under capital, remuneration and other expenditure contracts that do not meet the criteria for recognition as liabilities.

(xii) Note13 (page N33):

Includes prescribed ratios prepared in relation to the General Purpose Financial Reports. Comments on each ratio are set out below:

*Unrestricted Current Ratios:*

This ratio reflects the ability of an organisation to pay its way with externally restricted assets not included i.e., the current asset dollars available to meet each current liability dollar. This ratio in the Financial Reports really reflects the General Fund position

As per page N33 of the Annual Financial Reports the Unrestricted Current ratio has increased from 1.74:1 in 2005/06 to 2.11:1 in 2006/07. It is evident that there has been an increase in Council's liquidity or ability to meet obligations.

A detailed evaluation by fund of the current ratio is outlined following the expanded Balance Sheet, later in this report.

*Debt Service Ratio:*

The auditor's report provides comments on this ratio under 9(b) on page xvii. A detailed evaluation is outlined following the expanded Balance Sheet, later in this report. The ratio has increased from 14.21% in 2005/06 to 17.37% in 2006/07, which is an unfavourable movement.

*Rate & Annual Charges Coverage Ratio:*

This ratio reflects rate and annual charges revenues as a percentage of total revenues. For 2006/07, it states that Council is dependent on rates for 41.4% of its revenue. The remaining 58.6% of revenue has come from fees, charges, grants, contributions, etc. It is expected that the ratio would vary from year to year depending on the level of grant funded works undertaken.

*Rate & Annual Charges Outstanding Percentage:*

This ratio reflects the rates and annual charges outstanding at 30 June as a percentage of total rates and annual charges collectable. The precise figures for 2005/06 and 2006/07 are 5.51% and 6.73% respectively. This increase has been as a result of, tighter economic conditions.

(xiii) Note 14 (page N34):

This note shows the movement in fair value of investment property held by council, the basis of the valuations for investment property and rental income generated from investment property during 2005/06 and 2006/07. The movement between the years has been largely as a result of the transfer of land & buildings from investment property in Note 14 to land and buildings in Note 9 as the purpose for which these assets had been held had changed.

- (xiv) Note 15 (page N35 to N36):

This note shows the interest rate risk exposure related to "Financial" assets (cash, investments and receivables) and "Financial" liabilities (trade creditors and borrowings) for the current and previous years.

Council's only real credit risk exposure related to loans to community organisations.

- (xv) Note 16 (page N37 to N39):

Examines significant variations of actual results by the Income Statement, Cash Flow Statement & Note 2 Functions compared to the original budget for 2006/07 year.

- (xvi) Note 17 (page N40 to N41):

Provides details of Developer Contributions on Hand.

- (xvii) Note 18 (page N42):

Shows that there were no contingencies, or assets & liabilities not recognised in the Balance Sheet for year ended 30 June 2007.

- (xviii) Note 19 (page N43):

Shows that there is no investments accounted for using the equity method for year ended 30 June 2007.

- (xix) Note 20 (page N44):

This is a new note that shows the movement in Revaluation Reserves & Retained Earnings during 2005/06 and 2006/07.

- (xx) Note 21 (pages N45):

Provides a statement regarding the impacts of events occurring after 30 June 2007 such as the volatility in credit markets in July, August and September 2007 and the effect of this event on Council's investments.

- (xxi) Note 22 (page N46):

Provides a statement regarding the movements in value of intangible assets that Council holds for the year ended 30 June 2007. Intangible assets in Council's reports relate solely to the Regional Water Supply Scheme and in particular a licence to pump bulk raw water in perpetuity from this scheme.

g) Auditor's Reports.

The auditor's "Report on the Conduct of the Audit" provides comment in relation to:

- (i) Auditors Responsibilities
- (ii) Financial Management Practices
- (iii) Operating Result
- (iv) Water Supplies
- (v) Sewerage Services
- (vi) Business Activities
- (vii) Balance Sheet
- (viii) Performance Indicators
- (ix) Other Matters

2. Special Purpose Financial Reports

a) Council Certificate.

b) Income Statement of Business Activities (page P2,P3 & P4):

These Statements show the operating result for 2006/07 of Council's Business Activities (Water, Sewer, and Airport) as required under National Competition Policy (NCP) guidelines. The statement includes internal transactions between business activities and Council's General fund, and also shows notional transactions required under NCP (i.e. Imputation Payments, Corporate Taxation Equivalent and Notional Subsidies from Council).

c) Balance Sheet by Business Activities (page P5,P6 & P7):

This statement sets out the assets, liabilities and equity of Council's Business Activities (Water, Sewer, and Airport) as required under National Competition Policy (NCP) guidelines. The statement includes internal transactions between business activities and Council's General fund.

d) Note 1 (page P8 to P12):

Outlines the significant accounting policies complied with and other matters of note affecting the financial reports such as the National Competition Policy Imputation Payments utilised. It is important to read this note as it provides background information that contributes to the understanding of the principles behind the preparation of the reports.

The table on P12 states notional rates for National Competition Policy Payments applied to the Special Purpose Financial Reports Statement of Financial Performance on page P2,P3 & P4.

- e) Note 2 & Note3 (page P13 & P14):

Outlines tax equivalent payments, the dividends from operating surpluses that would be payable if the Best Practice Management Guidelines have been met and requirements for the Best Practice Management Guidelines to be met for Water & Sewer operations.

- f) Auditor's Reports.

3. Special Schedules

These schedules provide additional information required for the NSW Grants Commission, the Australian Bureau of Statistics, the Department of Water and Energy and the Department of Local Government and also support data included in the Special Purpose Financial Reports. The data is also used in the allocation of Financial Assistance Grants, incorporation in national statistics, monitoring of loan approvals, allocation of borrowing rights and monitoring of financial activities of specific services. The auditor is not required to audit the Special Schedules.

- a) Special Schedule 1 - Net Cost of Services (by function)
- b) Special Schedule 2 - Statement of Long Term Debt
- c) Special Schedule 3 - Water Supply Operations
- d) Special Schedule 4- Water Supply – Net Assets Committed
- e) Special Schedule 5 - Sewerage Service Operations
- f) Special Schedule 6 - Sewerage Services – Net Assets Committed
- g) Special Schedule 7 - Condition of Public Works.
- h) Special Schedule 8 - Financial Projections.

Summary:

The General Fund continues to be in a relatively "tight" financial position. Water and Sewerage funds are both in sound financial positions to fund the cost of the major augmentation works, which are in progress.

Attachments:

Attached are the Statement By Councillors and Management for the Annual Financial Statements and the Special Purpose Financial Statements (which will be signed by the designated signatories at the meeting at which the auditor will present the audited financial statements), Balance Sheet, Income Statement, Restricted Cash and Investments Summary and Evaluation of Key Indicators for the General, Water and Sewerage Funds of Council. Brief comments are also made on financial position. The LGMA Sustainable Financial Health Checks both on a consolidated & individual fund basis will be circulated as a separate document at a later stage.

**Sustainability Assessment:**

- **Environment**

There are no perceived current or future environmental impacts.

- **Social**

There are no perceived current or future social impacts.

- **Economic**

**Broader Economic Implications**

There are no perceived current or future broader economic implications.

**Management Plan Implications**

The management plan process through budget reviews have reflected the financial results achieved in Council's Annual Financial Reports.

**Consultation:**

The New South Wales Department of Local Government through the Code of Accounting Practice Update number 15 and Thomas Noble & Russell (Council's Auditors) have provided advice to assist Council in the preparation of the Annual Financial Reports.

**Related Policy and / or Precedents:**

Financial reports are prepared and presented on an annual basis as per statutory and regulatory requirements.

**Statutory Requirements:**

The financial reports have been prepared in accordance with:

1. The Local Government Act 1993 and amendments
2. Local Government Regulations
3. Australian International Financial Reporting Standards (AIFRS).
4. The "Local Government Code of Accounting Practice and Financial Reporting" published by the Department of Local Government.
5. The "Asset Accounting Manual" published by the Department of Local Government.
6. Instructions issued in circulars released by the Department of Local Government.
7. NSW Government Policy Statement "Application of National Competition Policy to Local Government".
8. Department of Local Government guidelines "Pricing & Costing for Council Businesses: A guide to Competitive Neutrality".

## **C83 Financial Reports - 2006/2007 ...(Cont'd)**

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Council is required to conduct a public meeting under Section 419 of the Local Government Act for the consideration and adoption of its financial reports.

As is normal practice, the public meeting will be incorporated with the Council meeting and held during consideration of this item.

### **Issues:**

Prudent financial management needs to be exercised for the General Fund to maintain an acceptable financial position.

### **Implementation Date / Priority:**

Under Section 416(1) of the Local Government Act 1993, Council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year i.e. by 31<sup>st</sup> October and submitted to the Department of Local Government by 7<sup>th</sup> November. Council has been granted an extension (to allow for implementation issues arising from the fair valuing of water and sewer assets) by the Department of Local Government to submit the financial reports to them by no later than 21<sup>st</sup> November 2007. It is proposed to forward the reports on 16<sup>th</sup> November 2007.

### **Recommendation:**

- 1. That the Statement By Councillors and Management for the Annual Financial Statements and the Special Purpose Financial Statements be signed by the designated signatories.**
- 2. That the audited financial reports be received and adopted.**
- 3. That the report on the audited financial reports be received and noted.**

K O Lavelle  
**Director Corporate Business**

**Attachments:**

**COFFS HARBOUR CITY COUNCIL**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2007**

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

The attached Annual Financial Statements have been drawn up in accordance with

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

To the best of our knowledge and belief, these reports

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

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

Signed in accordance with a resolution of Council made on 15<sup>th</sup> November 2007.

.....  
(Keith Rhoades AFSM)

**MAYOR**

.....  
(Ian Hogbin)

**CORPORATE BUSINESS COMMITTEE  
CHAIRMAN**

.....  
(Stephen Sawtell)

**GENERAL MANAGER**

.....  
(Dale Allen)

**RESPONSIBLE ACCOUNTING OFFICER**

# COFFS HARBOUR CITY COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2007

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

The attached special purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Department of Energy, Utilities and Sustainability "*Best Practice Management of Water Supply and Sewerage*" guidelines.

To the best of our knowledge and belief, these reports

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

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

Signed in accordance with a resolution of Council made on 15<sup>th</sup> November 2007.

.....  
(Keith Rhoades AFSM)

**MAYOR**

.....  
(Ian Hogbin)

**CORPORATE BUSINESS COMMITTEE  
CHAIRMAN**

.....  
(Stephen Sawtell)

**GENERAL MANAGER**

.....  
(Dale Allen)

**RESPONSIBLE ACCOUNTING OFFICER**

	General \$000	Water \$000	Sewer \$000	Total \$000
<b>INCOME STATEMENT (excluding internal transactions)</b>				
<b>INCOME</b>				
Rates & Annual Charges	31,418	2,470	14,749	48,637
User Charges & Fees	8,272	8,773	472	17,517
Interest and investment revenues	2,615	3,602	3,508	9,725
Other Revenues	4,139	37	343	4,519
Grants & Contributions - Operating	12,216	254	295	12,765
Grants & Contributions - Capital	16,859	2,465	4,014	23,338
Profit from Disposal of Assets	974	0	4	978
<b>Income from Continuing Operations</b>	<b>76,493</b>	<b>17,601</b>	<b>23,385</b>	<b>117,479</b>
<b>EXPENSES</b>				
Employee Costs	21,593	1,741	2,816	26,150
Materials & Contracts	18,643	781	2,254	21,678
Borrowing Costs	1,975	2,376	2,835	7,186
Depreciation & Amortisation	17,925	2,741	4,356	25,022
Impairment	26	0	0	26
Other Operating Expenses	5,406	744	988	7,138
Loss from Disposal of Assets	0	0	0	0
<b>Expenses from Continuing Operations</b>	<b>65,568</b>	<b>8,383</b>	<b>13,249</b>	<b>87,200</b>
<b>NET SURPLUS ATTRIBUTABLE TO COUNCIL</b>	<b>10,925</b>	<b>9,218</b>	<b>10,136</b>	<b>30,279</b>
<b><i>Net operating result before capital grants &amp; contributions</i></b>	<b>-5,934</b>	<b>6,753</b>	<b>6,122</b>	<b>6,941</b>
<b>BALANCE SHEET</b>				
	General \$000	Water \$000	Sewer \$000	Total \$000
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5,003	562	2,212	7,777
Investments	30,035	37,936	36,869	104,840
Receivables	10,247	889	645	11,781
Inventories	866	241	11	1,118
Other	1,242	0	0	1,242
<b>Total Current Assets</b>	<b>47,393</b>	<b>39,628</b>	<b>39,737</b>	<b>126,758</b>
<b>NON CURRENT ASSETS</b>				
Investments	994	11,215	14,163	26,372
Receivables	1,067	53	510	1,630
Infrastructure, Property, Plant & Equipment	472,044	210,479	205,070	887,593
Investment Property	820	0	920	1,740
Intangibles	0	47,500	0	47,500
<b>Total Non Current Assets</b>	<b>474,925</b>	<b>269,247</b>	<b>220,663</b>	<b>964,835</b>
<b>TOTAL ASSETS</b>	<b>522,318</b>	<b>308,875</b>	<b>260,400</b>	<b>1,091,593</b>
<b>CURRENT LIABILITIES</b>				

Payables	12,066	515	275	12,856
Interest Bearing Liabilities	2,599	3,547	3,537	9,683
Provisions - payable < 12 months	3,146	0	0	3,146
Provisions - payable > 12 months	5,960	0	0	5,960
<b>Total Current Liabilities</b>	<b>23,771</b>	<b>4,062</b>	<b>3,812</b>	<b>31,645</b>
<b>NON CURRENT LIABILITIES</b>				
Payables	9	0	0	9
Interest Bearing Liabilities	19,335	34,926	44,646	98,907
Provisions	4,079	0	0	4,079
<b>Total Non Current Liabilities</b>	<b>23,423</b>	<b>34,926</b>	<b>44,646</b>	<b>102,995</b>
<b>TOTAL LIABILITIES</b>	<b>47,194</b>	<b>38,988</b>	<b>48,458</b>	<b>134,640</b>
<b>NET ASSETS</b>	<b>475,124</b>	<b>269,887</b>	<b>211,942</b>	<b>956,953</b>
<b>EQUITY</b>				
Accumulated Surplus	527,099	157,842	187,082	872,023
Asset Revaluation Reserve	0	59,909	23,714	83,623
Available For Sale Financial Assets Reserve	-87	248	1,146	1,307
<b>TOTAL EQUITY</b>	<b>527,012</b>	<b>217,999</b>	<b>211,942</b>	<b>956,953</b>

## Evaluation of Key Indicators

In relation to the above statement, the key indicators of financial position being the current ratio and the debt service ratio are set out below:

Unrestricted Current Ratio (external restrictions deducted from current assets):

	2005/2006	2006/2007
General	1.30	1.84
Water	9.79	5.95
Sewerage	9.44	3.91

Note: External restrictions are taken from both liabilities and revenue (as per Note 6 of the Financial Reports).

For the General Fund, it shows as at 30 June 2007, for each \$1 of current liability, \$1.84 is available in current assets to fund it.

The external restrictions deducted primarily relate to unexpended loan funds and developer contributions.

Restricted balances (Council Reserves) and movements for these reserves for year ended 30 June 2007 related to Council's Cash and Investments are as follows:

Reserve	Balance 1/7/06 \$000	Receipts 2006/07 \$000	Payments 2006/07 \$000	Balance 30/6/07 \$000
<b>GENERAL FUND</b>				
Employees Leave Entitlements	1,551	1,555	172	2,934
Plant Replacement	4,344	5,939	5,306	4,976
Waste Management-Domestic	164	8,124	7,102	1,186
Waste Management-Non Dom	934	3,153	3,291	795
Airport - General	873	4,252	3,771	1,354
EDP Equipment	581	345	182	744
Community Facilities	-	14,714	13,904	810
Open Space Land	92	6	17	81
Jetty M & R	213	89	148	153
Asset Replacement/Maintenance	1,062	769	1,171	659
Rural Fire Service	89	61	130	20
Moonee Beach Road Upgrade	-	948	-	948
SH10 Garden Works	381	25	31	374
Future Road Network	214	125	-	339
<b>GENERAL FUND TOTAL</b>	<b>10,496</b>	<b>40,104</b>	<b>35,226</b>	<b>15,374</b>
<b>ENVIRONMENTAL LEVY</b>				
Environmental Levy	437	1,214	1,348	302
<b>WATER FUND</b>				
Future Works & Services	24,947	1,669	-	26,616
<b>SEWERAGE FUND</b>				
Future Works & Services	22,050	1,367	3,379	20,038
Plant (Centrifuge)	445	160	66	540
Lab. Equipment Replacement	593	624	522	695
<b>SEWERAGE FUND TOTAL</b>	<b>23,088</b>	<b>2,151</b>	<b>3,966</b>	<b>21,273</b>
<b>TOTAL ALL FUNDS</b>	<b>58,968</b>	<b>45,138</b>	<b>40,540</b>	<b>63,566</b>

Debt Service Ratio:	2005/2006	2006/2007
General	6.44%	8.01%
Water	30.65%	36.12%
Sewerage	26.21%	30.45%

The revenue from continuing operations less specific purpose grants (operating), contributions (operating and capital) and capital grants has been used as the denominator in calculating the percentage ( the numerator is the loan repayments made).

Council's share of augmentation works in the Water and Sewerage funds have been traditionally funded from loans. With major Water & Sewer augmentation works being undertaken the Water & Sewerage Debt Service Ratio's are high but are covered in annual budgets.

The General Fund Debt Service Ratio has increased marginally in 2006/07  
The debt service percentage for General Fund in 2006/07 excluding the Airport is 7.59%.  
It should be noted that the ratios will increase in 2007/08, as repayments for new loans drawn down in 2007/08 are made.

The percentages reflect a satisfactory level of expenditure on loan repayments for each fund bearing in mind the explanations above.

The General Fund in 2006/07 had a Net Deficit before capital grants & contributions of \$5.934 million. Waste Fund had a surplus before capital grants & contributions of \$2.209 million and \$0.663 million related to Airport Fund.  
This result is of concern as Waste & Airport monies are restricted which therefore means unrestricted operating result for 2006/07 before capital grants & contributions is a deficit of \$8.806 million

Water and Sewerage funds are both in strong financial positions to meet the major augmentation works which are in progress. The current Management Plan provides for the use of accumulated surplus funds to fund, in conjunction with borrowings, augmentation works to avoid major rate increases.