



***GENERAL PURPOSE  
FINANCIAL REPORTS***

***For the Year Ending 30 June 2005***

***2005***

## COUNCIL OF THE CITY OF MAITLAND

### General Purpose Financial Reports and Special Schedules for the year ending 30 June 2005

#### TABLE OF CONTENTS

	<u>Page</u>
<b>Council's Statement [s.413 (2) (c)]</b>	1
<b>General Purpose Financial Reports</b>	
* Statement of Financial Performance	2
* Statement of Financial Position	3
* Statement of Changes in Equity	4
* Statement of Cash Flows	5
<b>Notes to the Financial Statements</b>	
Note 1 Significant Accounting Policies	6-15
Note 2(a) Functions	16
Note 2(b) Components of Functions	17
Note 3 Expenses from ordinary activities	18-19
Note 4 Revenues from ordinary activities	20-24
Note 5 Gain or Loss on Disposal of Assets	25
Note 6(a) Cash Assets and Investment Securities	26
Note 6(b) Details of Movements & Utilisation of Restricted Cash Assets & Investments	27
Note 7 Receivables	28-29
Note 8 Inventories & Other Assets	30
Note 9(a) Property, Plant and Equipment	31
Note 9(b) Restricted Property, Plant and Equipment	32
Note 10(a) Payables, Interest Bearing Liabilities. and Provisions	33
Note 10(b) Description & Movements in Provisions	34
Note 10(c) Current Payables, Interest Bearing Liabilities, and Provisions	35
Note 11 Statement of Cash Flows	36-37
Note 12 Commitments for Expenditure	38
Note 13 Statement of Performance Measurement	39
Note 14 Conditions Over Grants & Contributions	40
Note 15 Financial Instruments	41-43
Note 16 Material Budget Variations	44-45
Note 17 Statement of Contribution Plans	46
Note 18 Contingencies and Other Assets & Liabilities Not Recognised	47
Note 19 Joint Ventures & Associated Entities	48
Note 20 Correction of Fundamental Error	N/a
Note 21 Extraordinary Items	N/a
<b>Special Schedules</b>	
Special Schedule 1 Net Cost of Services	49-51
Special Schedule 2(a) Statement of Long Term Debt (All Purpose)	52
Special Schedule 7 Condition of Public Works	53
<b>Auditor's Report [s.417 (2)]</b>	
<b>Auditor's Report [s.417 (3)]</b>	

COUNCIL OF THE CITY OF MAITLAND  
GENERAL PURPOSE FINANCIAL REPORTS

for the year ending 30 June 2005

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 Reports have been prepared in accordance with:

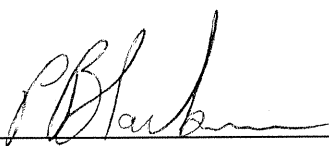
- \* The Local Government Act 1993 (as amended) and the Regulations made thereunder
- \* The Australian Accounting Standards and professional pronouncements
- \* The Local Government Code of Accounting Practice and Financial Reporting
- \* The Local Government Asset Accounting Manual

To the best of our knowledge and belief, these Reports

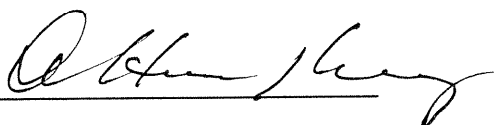
- \* Present fairly the Council's operating result and financial position for the year, and
- \* Accord with Council's accounting and other records

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



Signed in accordance with a resolution of Council made on 13 September 2005.



MAYOR



COUNCILLOR

  
GENERAL MANAGER  
RESPONSIBLE ACCOUNTING  
OFFICER

**COUNCIL OF THE CITY OF MAITLAND**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2005

<b>Original Budget *</b>		<b>Notes</b>	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>2005 \$'000</b>				
	<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
16,025	Employee costs	3(a)	15,418	14,403
505	Borrowing costs	3(b)	473	387
6,526	Materials & Contracts		9,677	9,098
5,731	Depreciation	3(c)	6,143	5,841
5,664	Other expenses from ordinary activities	3(d)	5,375	4,996
5	Loss from the disposal of assets	5	0	0
<u>34,456</u>	<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<u>37,086</u>	<u>34,725</u>
	<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
23,477	Rates & annual charges	4(a)	24,465	22,656
5,314	User charges & fees	4(b)	6,057	6,304
1,022	Interest	4(c)	1,867	1,555
485	Other revenues from ordinary activities	4(d)	588	733
5,312	Grants & contributions provided for non-capital purposes	4(e&f)	6,117	5,643
0	Gain from the disposal of assets	5	600	1,630
<u>35,610</u>	<b>REVENUES FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS</b>		<u>39,694</u>	<u>38,521</u>
<u>1,154</u>	<b>SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS</b>		<u>2,608</u>	<u>3,796</u>
<u>4,481</u>	Grants & contributions provided for capital purposes	4(e&f)	<u>16,404</u>	<u>18,754</u>
<u>5,635</u>	<b>SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS</b>		<u>19,012</u>	<u>22,550</u>
<u>5,635</u>	<b>SURPLUS (DEFICIT) FROM ALL ACTIVITIES</b>	2(a)	<u>19,012</u>	<u>22,550</u>
	<b>Surplus (deficit) attributable to Council</b>		19,012	22,550

\* Original budget as approved by Council - Refer Note 16

**COUNCIL OF THE CITY OF MAITLAND**

**STATEMENT OF FINANCIAL POSITION**  
for the year ending 30 June 2005

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
<b>CURRENT ASSETS</b>			
Cash assets	6	1,781	2,177
Investment securities	6	20,060	15,983
Receivables	7	3,120	3,232
Inventories	8	289	240
Other	8	<u>2</u>	<u>7</u>
<b>TOTAL CURRENT ASSETS</b>		<u>25,252</u>	<u>21,639</u>
<b>NON-CURRENT ASSETS</b>			
Investment securities	6	6,529	7,083
Property, plant and equipment	9	<u>426,105</u>	<u>408,754</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>432,634</u>	<u>415,837</u>
<b>TOTAL ASSETS</b>		<u>457,886</u>	<u>437,476</u>
<b>CURRENT LIABILITIES</b>			
Payables	10(a&c)	3,223	4,668
Interest bearing liabilities	10(a&c)	1,363	1,187
Provisions	10(a,b&c)	<u>2,377</u>	<u>2,240</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,963</u>	<u>8,095</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	10(a)	8,165	5,711
Provisions	10(a,b&c)	<u>3,319</u>	<u>3,296</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>11,484</u>	<u>9,007</u>
<b>TOTAL LIABILITIES</b>		<u>18,447</u>	<u>17,102</u>
<b>NET ASSETS</b>		<u>439,439</u>	<u>420,374</u>
<b>EQUITY</b>			
Accumulated surplus		439,327	420,315
Asset revaluation reserve		<u>112</u>	<u>59</u>
<b>TOTAL EQUITY</b>		<u>439,439</u>	<u>420,374</u>

COUNCIL OF THE CITY OF MAITLAND

STATEMENT OF CHANGES IN EQUITY  
for the year ending 30 June 2005

	2005 \$'000			2004 \$'000		
	Accum Surplus	Asset Revaluation Reserve	Total Equity	Accum Surplus	Asset Revaluation Reserve	Total Equity
Balance at beginning of the reporting period	420,315	59	420,374	397,765	59	397,824
Changes in equity recognised in the statement of financial performance	19,012	0	19,012	22,550	0	22,550
Transfers to asset revaluation reserve	0	53	53	0	0	0
<b>Balance at end of the reporting period</b>	<b>439,327</b>	<b>112</b>	<b>439,439</b>	<b>420,315</b>	<b>59</b>	<b>420,374</b>

**COUNCIL OF THE CITY OF MAITLAND**

**STATEMENT OF CASH FLOWS  
for the year ending 30 June 2005**

<b>Budget 2005 \$'000</b>		<b>Notes</b>	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<u>Receipts:</u>				
23,477	Rates & annual charges		24,447	22,979
5,622	User charges & fees		6,334	7,422
1,022	Interest		2,001	1,549
9,997	Grants and Contributions		11,424	12,242
526	Other		1,075	571
<u>Payments:</u>				
16,106	Employee costs		15,425	14,156
6,557	Materials & contracts		11,435	7,261
505	Interest		433	373
6,110	Other		5,779	5,438
<u>11,366</u>	Net cash provided by (or used in) operating activities	11(b)	12,209	17,535
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<u>Receipts:</u>				
0	Sale of real estate assets		0	1,906
3,700	Sale of property, plant & equipment		3,615	3,369
0	Other		0	1
<u>Payments:</u>				
3,512	Purchase of investments		3,523	7,378
14,283	Purchase of property, plant & equipment		15,327	15,900
0	Purchase of real estate assets held for resale		0	26
<u>(14,095)</u>	Net cash provided by (or used in) investing activities		(15,235)	(18,028)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<u>Receipts:</u>				
4,000	Borrowings & advances		3,855	1,905
<u>Payments:</u>				
1,236	Borrowings & advances		1,225	1,178
<u>2,764</u>	Net cash provided by (or used in) financing activities		2,630	727
35	Net increase/(decrease) in cash assets held		(396)	234
2,177	Cash assets <sup>1</sup> at beginning of reporting period	11(a)	2,177	1,943
<u>2,212</u>	Cash assets at end of reporting period	11(a)	<u>1,781</u>	<u>2,177</u>

<sup>1</sup> Refer Section 4.8 of the Code for definition of 'cash assets'.

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 1**

**SIGNIFICANT ACCOUNTING POLICIES**

**1. The Local Government Reporting Entity**

The City of Maitland has its principal business office at 285 High Street, Maitland NSW 2320. Maitland City Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter is specified in Section 8 of the Act.

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

The General Purpose Financial Statements incorporate the assets and liabilities of all entities controlled by Council (the parent entity) and the results of all controlled entities for the financial year ending 30th June 2005. They include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the local government as a single unit, all transactions and balances between activities (for example, loans and transfers) have been eliminated.

**1.1 The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- \* General Purpose Operations

The following Committees, the transactions of which are considered immaterial either by amount or nature, have been excluded:

- \* Recreation Boards
- \* Community Groups

The total revenue and expenditure from ordinary activities and the net assets held of these entities is as follows:

Total revenue from ordinary activities	\$ 45,000
Total expenditure from ordinary activities	\$ 40,000
Total Net Assets (Equity) Held	\$100,000

*Note: Where actual figures are not known, best estimates have been applied.*

**1.2 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 control of Council, have been excluded from these reports. A separate statement of monies held in these Trust Funds is available for inspection at the Council office by any person free of charge.

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

**2. Basis of Accounting**

**2.1 Compliance**

This general purpose financial report has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

**2.2 Basis of Accounting**

This general purpose financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historic cost convention.

The accounting policies adopted for the reporting period are consistent with those of the previous reporting period except where otherwise indicated. Comparative information is reclassified where appropriate to enhance comparability.

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

**2.3 Impacts of adopting Australian equivalents to IFRS**

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Council's financial statements for the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The transition to International Financial Reporting Standards is being managed on an industry wide basis. A National Local government working party has been established, and the NSW Department of Local Government in conjunction with the Local Government Accounting Advisory Group will identify significant changes affecting the industry.

The Council has established a project team to manage its own transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information.

As senior management have not completed their analysis of the impact of AIFRS, the expected financial effects of adopting AIFRS on the statement of financial performance and statement of financial position at 30 June 2005 are not yet known or reliably estimable in all cases. No material impacts are expected in relation to the statement of cash flows.

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

**3. Rates**

The rating period and reporting period for the Council coincide, accordingly, all rates levied for the year are recognised as revenues. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners and postponed rates in accordance with the requirements of the Local Government Act 1993.

**4. Grants, Contributions and Donations**

**4.1 General**

Grants, contributions and donations (in cash or in kind) are recognised as revenues when the Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt. Where notification has been received that a grant has been secured and Council acts in reliance of that notification, control is deemed at that time.

Unreceived contributions over which the Council has control are recognised as receivables.

Where grants, contributions and donations are recognised as revenues during the reporting period on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in these notes.

Also disclosed is the amount of grants and contributions recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

**4.2 Contributions under Section 94 of the Environmental Planning and Assessment (EPA) Act 1991**

The Council has obligations to provide facilities from contributions required from developers under the provisions of S.94 of the EPA Act 1991. These contributions may be expended only for the purposes for which the contributions were required, but the Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

Contribution plans adopted by Council are available for public inspection free of cost.

**5. Property, Plant & Equipment**

**5.1 Transitional Provisions**

Infrastructure assets (which were expensed prior to 1 January 1993) have been capitalised in the accounts on a "staged" basis since June 1995. All assets, apart from land under roads (the transitional provisions applicable to land under roads have now extended pursuant to AASB 1045, released in October 2002, until 31 December 2006), have now been brought to account. The effect of recognising these non-current assets has increased Council's accumulated wealth by \$296.8m (1,905%) since 1993. In addition, the annual estimated depreciation expense is approximately \$6.1m as compared to \$0.8m prior to their recognition.

All non-current assets purchased or constructed are capitalised as soon as the asset is held "ready for use".

## COUNCIL OF THE CITY OF MAITLAND

### NOTES TO THE FINANCIAL STATEMENTS for the year ending 30 June 2005

#### Note 1 (Cont'd)

### SIGNIFICANT ACCOUNTING POLICIES

#### 5.2 Materiality

Assets with an economic life which is determined to be longer than one year are only capitalised where the cost of acquisition / construction exceeds materiality thresholds established by Council for each type of asset. In determining such thresholds, which are reviewed annually, regard is given to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year under review are as follows:

Plant & Equipment	Capitalise if value > \$1,000
Office Equipment	Capitalise if value > \$1,000
Furniture & Fittings	Capitalise
Land - Council Land	Capitalise
- open space	Capitalise
Buildings	
- construction/extensions	Capitalise
- renovations	Capitalise if value > \$10,000
Other Structures	Capitalise if value > \$1,000
Roads, bridges, footpaths	
- Construction/reconstruction	Capitalise
- Reseal/resheet/major repairs	Capitalise

#### 5.3 Valuation of Assets

##### 5.3.1 Recoverable Amounts Test

Council is exempted from the "recoverable amounts test" except in relation to recognised trading operations under the provision of paragraph 2.1 of AAS 10 "Recoverable Amount of Non Current Assets".

##### 5.3.2 Plant & Equipment, Office Equipment & Furniture & Fittings

Assets acquired are recorded at cost.

Asset capitalisation thresholds of these assets are detailed below:

Office furniture	Capitalise if value > \$1,000
Office equipment	Capitalise if value > \$1,000
Other plant & equipment	Capitalise if value > \$1,000

Major depreciation periods are:

Office equipment	5 years
Office furniture	10 years
Vehicles & road making equipment	5 years
Other plant & equipment	5 years

##### 5.3.3 Land

###### 5.3.3.1 Operational Land

Land classified by Council as operational land in accordance with Part 2 of Chapter 6 of the Local Government Act 1993, and buildings thereon, were valued by independent valuation (Valuer General) in the reporting period ended 30 June 1995. The last valuation, which has since been adjusted for additional rateable properties, took place on 1 July 1999. All assets

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

have now been recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all land.

**Current Valuation** - An independent valuation of operational land based on market value was undertaken as at 30 June 2003 by the Valuer General. The market value of the valuation was \$11,644,000. The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset.

**5.3.3.2 Community Land**

Land not classified by Council as operational land is deemed as community land and was valued by Council officers using the average valuation of adjoining land. All assets have now been revalued using the Municipal Site Rate which is calculated by dividing the land area (hectares) of all rateable land (excluding mining) into the dollar value of that rateable land as determined by the Valuer General and then applying that rate towards the non rateable property controlled by the Council.

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all land.

**Current Valuation** - A valuation of community land was undertaken on a municipal site value basis by Council officers as at 30 June 2003, and totalled \$17,279,000. The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

**5.3.3.3 Land Under Roads**

Land Under Roads has not been valued or recognised as an asset in the statement of financial position (as allowed under the transitional provisions for asset recognition contained in Australian Accounting Standard 27A - paragraph 108). The transitional provisions applicable to land under roads have now extended pursuant to AASB 1045, released in October 2002, until 31 December 2006.

**5.3.4 Buildings & Land Improvements**

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 1995. All acquisitions made after the respective dates of valuation are recorded at cost. All assets have now been recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

Major depreciation periods are:

Buildings - Operational	50 to 100 years
Buildings - Community	50 to 100 years
Playground equipment	5 years
Community Improvements	50 to 100 years

Asset capitalisation thresholds include:

Park Furniture & Equipment	Capitalise if value > \$1,000
Buildings - construction/extensions	Capitalise
- renovations	Capitalise if value > \$10,000
Other Structures	Capitalise if value > \$1,000

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all buildings.

**Current Valuation** - An independent valuation of buildings, based on written down current replacement cost as at 31 March 2003 was undertaken by a registered, professionally qualified and permanently employed valuer of Morton Property Consultants Pty Limited. The market value of the valuation was \$50,274,400. The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

**5.3.5 Infrastructure Assets**

**5.3.5.1 Stormwater Drainage Assets**

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997. All acquisitions made after the respective dates of valuation were recorded at cost basis. All stormwater drainage assets have now been recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

Major depreciation periods are:

Drains	100 years
Culverts	100 years
Flood control structures	100 years

Asset capitalisation thresholds include:

Drains & culverts	Capitalise if value > \$5,000
Other	Capitalise if value > \$5,000

**5.3.5.2 Transport Assets**

Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996. All acquisitions made after the respective dates of valuation were recorded at cost. All transportation assets have now

been recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

Major depreciation periods are:

Sealed roads - surface	100 years
Sealed roads - structure	100 years
Unsealed roads	100 years
Bridges - concrete	100 years
Bridges - all others	60-100 years
Bulk earthworks	Infinite

Asset capitalisation thresholds include:

Road construction & reconstruction	Capitalise if value > \$10,000
Bridge construction & reconstruction	Capitalise if value > \$10,000

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

**5.3.6 Art Works**

Maitland City Council has elected to revalue its permanent artwork collection on a progressive basis in accordance with paragraph 10.10 of AAS 38 "Revaluation of Non Current Assets".

The current progressive revaluation commenced 1 July 2000 and was completed by 30 June 2005.

Assets within this class of assets that have been revalued as part of the current progressive revaluation and are carried at their fair value as at the date of revaluation are valued at \$929,104.

Council resolved to have 20% of its permanent artwork collection revalued in each reporting period within the current progressive revaluation. The particular works to be revalued in each reporting period will be determined by the Director of the Maitland City Art Gallery.

**5.4 Investments**

Term deposits are recognised at cost. Interest revenues are recognised as they accrue.

Managed funds are recognised at cost. Interest revenues are recognised as they accrue.

**5.5 Employee benefits**

In June 2001, The Australia Accounting Standards Board (AASB) issued a new standard on "Employee Benefits", AASB1028. The new standard replaces AAS 30 and will apply to annual reporting periods beginning on or after 1 July 2002.

Employee entitlements are accrued on a pro-rata basis for annual leave, sick leave, long service leave and gratuities in respect of services provided by employees up to the reporting date in accordance with AASB 1028. Such accruals are assessed as at each reporting date, having regard to a number of factors including experience of employee departures, projected employee rates of pay and their periods of service.

The Standard requires liabilities in respect of wages and salaries, annual leave, and sick leave (regardless of whether they are expected to be settled within 12 months of reporting date) to be measured at their "nominal" amounts. The Standard also requires employee benefits liabilities (other than wages and salaries, annual leave and sick leave) expected to be settled within 12 months of reporting date to be measured at their "nominal" amounts. The nominal basis of measurement uses remuneration rates that Council expects to pay as at each reporting period and does not discount cash flows to their present value.

Employee benefit liabilities (other than wages and salaries, annual leave and sick leave) expected to be settled more than 12 months after reporting date to be measured at "present value". The Standard requires the market yields on national government bonds to be used in determining the present value of employee benefit liabilities.

Consistent with the revised Standard, Council has recognised the aggregate liability and aggregate asset arising from the employee benefits and related on-costs. In contrast to the previous Standard, Council previously disclosed the aggregate employee entitlement liability recognised which excluded on-costs.

The superannuation expense for the year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees.

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

The following disclosures are made pursuant to AASB 1028, paragraph 6.10:

As at balance date a number of Council staff were making contributions to a defined superannuation scheme referred to as the Local Government Superannuation Scheme. That scheme was one of five superannuation schemes provided by State Super which were incorporated, without change, into the Local Government Superannuation Scheme from 1 July 1997. It is referred to in the trust Deed as Division D.

A defined benefit scheme may generally be described as one where the amount of benefits payable are, in part, defined by a members final salary. This scheme, which is heavily subsidised by the member's employer, was closed to new members on 1 July 1985. The Local Government Superannuation Scheme is a \$2 billion fully funded Scheme and members are offered a range of benefits payable. The benefit payable on retirement is directly related to a member's final salary and the level of their contributions. This benefit is drawn from a pool that contains the accumulated contributions of both the member and employer plus investment earnings.

The value of accrued benefits in respect of all defined benefits plans in which Council participates has been determined on the basis of the present value of expected payments which arise from its membership in the superannuation scheme at the date of actuarial review.

The actuarial review was performed as at 30 June 2004. The Scheme's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. The estimated assets and liabilities for Maitland City Council as at 30 June 2004 are as follows:

<b>Employer Liability</b>	<b>Employer Assets</b>	<b>Surplus</b>
\$8,822,321	\$10,062,915	#####

The net surplus is only disclosed for information purposes. No amount has been brought to account due to Council's inability to control this asset.

The economic assumptions used in calculating the gross liability of the various defined benefit schemes are as follows:

	<b>2005 % per annum</b>	<b>2004 % per annum</b>	<b>Thereafter % per annum</b>
Rate of investment return	12.0%	13.0%	7.0%
Rate of salary increase	4.0%	4.0%	4.0%
Rate of CPI increase	2.5%	2.5%	2.5%

The total number of "equivalent full time" employees at the beginning and end of the financial year were 282.9 and 289.4 respectively.

**5.6 Joint Ventures**

Council has an 11.545% interest in Hunter Councils Limited, along with other Member Councils of Hunter Councils. The activities of this organisation are not controlled by any one Council.

Hunter Councils Limited has been established to improve the quality and efficiency of local government service throughout the Hunter Region. One such service is the establishment and provision of a Record Repository Centre for the use of the Member Councils and to outsource this service to other organisations.

This Organisation was established in January 2003 after receiving Minister's consent, pursuant

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

to section 358(1)(a) of the Local Government Act 1993.

Information about the joint venture is set out in Notes 18 and 19.

**5.7 Leases**

Lease arrangements have been accounted for in accordance with the Australian Accounting Standard AAS 17 "Accounting for Leases".

In respect of operating leases, where the lessor substantially retains all the risks and benefits incident to ownership of the leased items, lease payments are charged as an expense over the lease term.

**5.8 Inventories**

**5.8.1 Inventories other than real estate assets held for resale**

Inventories held in respect of business undertakings have been valued at the lower cost or net realisable value.

**5.9 Monetary amounts**

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

**5.10 Budget information**

The Statement of financial performance provides budget information on major income and expenditure items. Details of material budget variations are detailed in Note 16. Note 2(a) also provides budget information of revenues and expenditures of each of Council's major activities. Budget figures represented are those approved by Council at the beginning of the financial year and do not reflect council approved variations throughout the year.

**5.11 Financial instruments**

AAS 33 - "Presentation & Disclosure of Financial Instruments" is operative for all financial years ending on or after 31 December 1997. This standard:

- \* Establishes rules for the classification of financial instruments as debt or equity;
- \* Extends the existing rules of 'set off'; and
- \* Sets out detailed disclosure requirements on financial instruments.

Council has adopted all of the disclosure requirements required by AAS 33 and is detailed in Note 15.

**5.12 Borrowings**

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it became due and is recorded as part of other creditors.

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 1 (Cont'd)**

**SIGNIFICANT ACCOUNTING POLICIES**

**5.13 Payables and other current liabilities**

Creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 7 or 30 days after initial recognition, depending on the terms of the invoice. Interest is not payable on these.

**5.14 Provisions, Contingent Liabilities and Contingent Assets**

In October 2001, The Australian Accounting Standards Board (AASB) issued a standard on "Provisions, Contingent Liabilities and Contingent Assets", AASB 1044. The new standard applies to annual reporting periods beginning on or after 1 July 2002.

Council has recognised and disclosed all Provisions (Note 10(a), (b) & (c)), Contingencies and Other Assets & Liabilities Not Recognised (Note 18) as required by AASB 1044.

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 2(a)

**FUNCTIONS**

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS / ACTIVITIES DETAILS OF THOSE FUNCTIONS / ACTIVITIES ARE PROVIDED													
FUNCTIONS / ACTIVITIES	EXPENSES FROM ORDINARY ACTIVITIES			REVENUES FROM ORDINARY ACTIVITIES			OPERATING RESULTS FROM ORDINARY ACTIVITIES BEFORE SHARE OF OUTSIDE PROFITS & CORRECTIONS			GRANTS INCLUDED IN REVENUES FROM ORDINARY ACTIVITIES		TOTAL ASSETS HELD (CURRENT AND NON CURRENT)	
	Original Budget 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Original Budget 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Original Budget 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Actual 2005 \$'000	Actual 2004 \$'000
Administration	13,047	8,729	7,772	364	973	2,212	(12,683)	(7,756)	(5,560)	0	105	70,115	64,733
Public order & safety	1,465	1,208	1,190	372	343	155	(1,093)	(865)	(1,035)	0	0	762	802
Health	364	424	487	71	100	114	(293)	(324)	(373)	44	57	0	0
Community services & education	766	1,046	1,004	354	485	438	(412)	(561)	(566)	443	402	0	0
Housing & community amenities	9,248	7,642	7,704	7,260	11,588	12,398	(1,988)	3,946	4,694	193	79	68,236	64,894
Recreation & culture	8,872	8,212	7,111	3,514	4,333	5,051	(5,358)	(3,879)	(2,060)	402	241	140,381	139,034
Building control	449	707	780	775	911	893	326	204	113	0	0	0	0
Transport & communication	10,833	7,729	7,413	1,782	10,147	10,908	(9,051)	2,418	3,495	155	127	178,392	168,013
Economic affairs	1,325	1,389	1,264	442	372	422	(883)	(1,017)	(842)	8	8	0	0
<b>Total Functions &amp; Activities</b>	<b>46,369</b>	<b>37,086</b>	<b>34,725</b>	<b>14,934</b>	<b>29,252</b>	<b>32,591</b>	<b>(31,435)</b>	<b>(7,834)</b>	<b>(2,134)</b>	<b>1,245</b>	<b>1,019</b>	<b>457,886</b>	<b>437,476</b>
<b>General Purpose Revenues*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,157</b>	<b>26,846</b>	<b>24,684</b>	<b>25,157</b>	<b>26,846</b>	<b>24,684</b>	<b>4,277</b>	<b>4,089</b>	<b>0</b>	<b>0</b>
<b>Surplus / (Deficit) from all activities</b>	<b>46,369</b>	<b>37,086</b>	<b>34,725</b>	<b>40,091</b>	<b>56,098</b>	<b>57,275</b>	<b>(6,278)</b>	<b>19,012</b>	<b>22,550</b>	<b>5,522</b>	<b>5,108</b>	<b>457,886</b>	<b>437,476</b>

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 2(b)**

**COMPONENTS OF FUNCTIONS**

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

**ADMINISTRATION**

Costs not otherwise attributed to other functions.

**PUBLIC ORDER AND SAFETY**

Fire protection, animal 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, child care, youth services, other families and children, aged and disabled, other community services, education.

**HOUSING & COMMUNITY AMENITIES**

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

**RECREATION & CULTURE**

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

**BUILDING CONTROL**

Building control, other.

**TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters and services, RTA Works, street lighting, other.

**ECONOMIC AFFAIRS**

Tourism and area promotion, industrial development promotion, other business undertakings.

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 3**

**EXPENSES FROM ORDINARY ACTIVITIES**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>(a) EMPLOYEE COSTS</b>		
Salaries and Wages	11,838	11,474
Travelling	132	133
Employee Leave Entitlements	2,334	2,225
Superannuation	785	702
Workers' Compensation Insurance	1,506	1,104
FBT	159	136
Training Costs (excluding salaries)	160	176
Other	<u>8</u>	<u>15</u>
Total Operating Employee Costs	16,922	15,965
Less: Capitalised costs	<u>1,504</u>	<u>1,562</u>
Total Employee Costs Expended	<u><u>15,418</u></u>	<u><u>14,403</u></u>
Note: Salaries and wages include competency backpayments of \$138K. (2004 - \$156K)		
<b>(b) BORROWING COST EXPENSE</b>		
Interest on Overdraft	1	0
Interest on Loans	429	334
Interest on Hire Purchase	<u>43</u>	<u>53</u>
Total Borrowing Costs Expended	<u><u>473</u></u>	<u><u>387</u></u>
<b>(c) DEPRECIATION</b>		
Plant and equipment	1,376	1,336
Office equipment	148	165
Furniture and fittings	84	78
Buildings	397	359
Community improvements & park equipment	585	547
Infrastructure		
- roads, bridges and footpaths	2,334	2,189
- storm water drainage	807	763
Other assets		
- Library books	130	115
- Bushfire equipment	279	288
- Musical instruments	<u>3</u>	<u>1</u>
Total Depreciation Costs Expended	<u><u>6,143</u></u>	<u><u>5,841</u></u>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 3 (Cont'd)**

**EXPENSES FROM ORDINARY ACTIVITIES**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>(d) OTHER EXPENSES</b>		
Other expenses for the year include the following:		
Legal Expenses		
- Planning & Development	93	118
- Other	134	142
Auditor's Remuneration		
- Audit Services	33	30
- Other Services	23	18
Bad & Doubtful Debts	17	7
Operating Lease Rentals		
- Non Cancellable - Minimum lease payments	441	525
Insurance	636	617
Mayoral Fee	29	26
Councillors' Fees	168	156
Councillors' (incl. Mayor) Expenses	104	83
Consultancies	44	58
Telephone	267	260
Street Lighting	757	624
Electricity & Heating	201	168
Contributions & Donations	621	522
Election Expenses	0	131
Tourism Expenses	556	468
State Government Waste Disposal Levy	1,033	854
Other		
- Advertising	113	84
- Bank Charges	90	98
- Property Valuations	2	2
- Other	13	5
	<hr/>	<hr/>
Total Other Expenses From Ordinary Activities	<u>5,375</u>	<u>4,996</u>

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 4

**REVENUES FROM ORDINARY ACTIVITIES**

	Actual 2005 \$'000	Actual 2004 \$'000
<b>(a) RATES &amp; ANNUAL CHARGES</b>		
<u>Ordinary Rates</u>		
Residential	14,172	12,850
Farmland	1,282	1,169
Mining	119	115
Business	<u>4,525</u>	<u>4,404</u>
Total Ordinary Rates	<u>20,098</u>	<u>18,538</u>
<u>Special Rates</u>		
Maitland CBD / Mall	414	409
Maitland CBD Construction Rate	<u>425</u>	<u>327</u>
Total Special Rates	<u>839</u>	<u>736</u>
<u>Annual Charges (pursuant to s.496 &amp; s.501)</u>		
Domestic Waste Management Services	<u>3,528</u>	<u>3,382</u>
Total Annual Charges	<u>3,528</u>	<u>3,382</u>
Total Rates and Annual Charges	<u>24,465</u>	<u>22,656</u>
<b>(b) USER CHARGES &amp; FEES</b>		
<u>User Charges (pursuant to s.502)</u>		
Sullage and Septic Tank	0	14
Waste Management Services (not domestic)	<u>1,985</u>	<u>2,071</u>
Total User Charges	1,985	2,085

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 4 (Cont'd)**

**REVENUES FROM ORDINARY ACTIVITIES**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>(b) USER CHARGES &amp; FEES (Cont'd)</b>		
<u>Fees</u>		
Regulatory/Statutory Fees	1,827	1,816
RTA Charges (State roads not controlled by Council)	530	800
s.611	15	15
Other		
- Rental	332	241
- Swimming Facilities	251	245
- Cemeteries	50	44
- Libraries	48	43
- Road Openings	7	15
- Septic Tank Applications	8	6
- Food Inspections	35	44
- Principle Certifying Authority (Building)	411	310
- Private Accredited Certificates	14	19
- Outstanding Notices	42	51
- Rezoning Applications	71	45
- Construction Certificates Subdivision	16	42
- Sub Division Certificates	31	17
- Compliance Certificates Subdivisions	110	292
- Connection to Garbage Service	60	63
- Gaol Tours	135	37
- Other	79	74
	4,072	4,219
Total Fees	4,072	4,219
	6,057	6,304
Total User Charges & Fees	6,057	6,304
 <b>(c) INTEREST</b>		
Interest on overdue rates & charges	174	208
Development Contributions		
- Section 94	741	627
Interest on investments	952	720
	1,867	1,555
Total Interest Revenue	1,867	1,555

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 4 (Cont'd)

**REVENUES FROM ORDINARY ACTIVITIES**

	Actual 2005 \$'000	Actual 2004 \$'000
<b>(d) OTHER REVENUES</b>		
Fines	123	58
Recycling Income (Non domestic)	11	12
Legal Fees Recovery (Rates)	2	2
Legal Fees Recovery (Other)	0	35
Insurance Claims Recovery	0	79
Commissions & Agency Fees	39	38
Other		
- Tourism	289	344
- Workers Compensation Premium Adjustment	0	117
- Interest in Compensatory Habitat	40	0
- Art Gallery Public Programs	16	8
- Immunisation Register	5	4
- Lease of Visitors Centre Café	10	10
- Coal Compensation	14	0
- Development Assessment Sundry Income	4	3
- Building Assessment Sundry Income	1	2
- Floodplain Management Subsidy	25	0
- Other	9	21
	<u>588</u>	<u>733</u>
Total Other Revenues from Ordinary Activities	<u>588</u>	<u>733</u>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 4 (Cont'd)**

**REVENUES FROM ORDINARY ACTIVITIES**

<b>(e) GRANTS</b>	<b>OPERATING</b>		<b>CAPITAL</b>	
	<b>Actual</b>		<b>Actual</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
General Purpose (Untied)				
- Financial Assistance				
Equalisation component	3,644	3,461	0	0
Local roads component	0	0	765	744
- Pensioners' Rates Subsidies				
General	494	499	0	0
Specific Purpose				
- Pensioners' Rates Subsidies				
DWM	139	130	0	0
- Community Centres	0	0	443	692
- Transport (3x3, Flood Works, Road to Recovery)	0	0	386	625
- Rev Up for Sustainable Work Practices	20	0	0	0
- Morpeth Boatramp	0	0	20	65
- Bus Shelters	0	0	0	104
- Greening Plan	136	37	0	0
- Cellar in the Cells	8	0	0	0
- Safer Community Compact Project	15	28	0	0
- Woodberry Community Renewal	42	42	0	0
- All Star Circus	38	0	0	0
- Community Sensory Garden	32	57	0	0
- Late Night Bus Loop	22	0	0	0
- Art Gallery Projects	83	0	0	0
- Riverside Interpretation Project	0	40	0	0
- Maitland Gaol	159	53	0	0
- Library	111	133	0	0
- Bushfire	0	104	0	0
- Community Options (Funding from DADHC)	236	223	0	0
- ADD and DOCS	29	28	0	0
- Noxious Weeds	44	48	0	0
- Landcare	34	29	0	0
- Immunisation	0	9	0	0
- Heritage	25	0	0	0
- Road Safety Program	81	32	0	0
- Public Vehicle Tax	0	10	0	0
- Street Lighting	74	72	0	0
- Other	56	73	48	0
<b>Total Grants</b>	<b><u>5,522</u></b>	<b><u>5,108</u></b>	<b><u>1,662</u></b>	<b><u>2,230</u></b>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 4 (Cont'd)**

**REVENUES FROM ORDINARY ACTIVITIES**

**(f) CONTRIBUTIONS**

	<b>OPERATING</b>		<b>CAPITAL</b>	
	<b>Actual</b>		<b>Actual</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Development Contributions (s.94)				
- Roadworks & Drainage	0	0	464	449
- Traffic Facilities	0	0	87	133
- Parking	0	0	2	2
- Open Space	0	0	775	1,182
- Community Facilities	0	0	1,004	1,482
- Other (specify if material)	0	0	110	160
RTA Contributions (Regional/Local, Block Grant)	231	244	456	216
Paving	0	0	61	25
Kerb and Gutter	0	0	25	13
Other Developer Contributions (Not s.94)				
- Roadworks	0	0	6,849	7,914
- Drainage	0	0	3,807	4,819
Other				
- Maitland Park Netball Courts	0	0	0	65
- Art Gallery	25	0	0	0
- Bushfire Equipment	0	0	238	0
- Water Main Relocations	0	0	457	0
- Park Improvements	0	0	1	5
- Sundry Works	0	0	70	18
- Art Gallery Permanent Collection	0	0	235	10
- Administration Traineeships	26	17	0	0
- Existing Worker Traineeships	26	18	0	0
- Bushfire Brigade Costs	32	0	0	0
- Respite - Community Options	24	14	0	0
- Meals on Wheels Refurbishments	0	15	0	0
- Immunisation	10	0	0	0
- Private Design Works	9	11	0	0
- Staff Motor Vehicle Lease Payments	104	93	0	0
- Diesel Fuel Rebate	40	45	0	0
- Staff Uniform Purchases	15	20	0	0
- Tourism Subscriptions	22	21	0	0
- Road Restoration Inspections	6	5	0	0
- Other	25	32	101	31
	<hr/>	<hr/>	<hr/>	<hr/>
Total Contributions	595	535	14,742	16,524
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>6,117</b>	<b>5,643</b>	<b>16,404</b>	<b>18,754</b>
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**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ending 30 June 2005

Note 5

**GAIN OR LOSS ON**  
**DISPOSAL OF ASSETS**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>GAIN (OR LOSS) ON DISPOSAL OF PROPERTY</b>		
Proceeds from disposal	489	840
Less: Carrying amount of assets sold	<u>246</u>	<u>443</u>
Gain (or loss) on disposal	<u><u>243</u></u>	<u><u>397</u></u>
<b>GAIN (OR LOSS) ON DISPOSAL OF PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	3,003	2,815
Less: Carrying amount of assets sold	<u>2,646</u>	<u>2,694</u>
Gain (or loss) on disposal	<u><u>357</u></u>	<u><u>121</u></u>
<b>GAIN (OR LOSS) ON DISPOSAL OF REAL ESTATE ASSETS HELD FOR SALE</b>		
Proceeds from Sales	0	2,053
Less: Cost of Sales	<u>0</u>	<u>941</u>
Gain (or loss) on disposal	<u><u>0</u></u>	<u><u>1,112</u></u>
<b>NET GAIN (OR LOSS) ON DISPOSAL OF ASSETS</b>	<u><u>600</u></u>	<u><u>1,630</u></u>

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 6(a)

**CASH ASSETS AND INVESTMENT SECURITIES**

		Actual 2005		Actual 2004	
	Notes	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b><u>CASH ASSETS</u></b>					
Cash on Hand and at Bank <sup>1</sup>	11	541	0	627	0
Cash Equivalent Assets <sup>1</sup>	11	<u>1,240</u>	<u>0</u>	<u>1,550</u>	<u>0</u>
<b>TOTAL CASH ASSETS</b>	11	<u><u>1,781</u></u>	<u><u>0</u></u>	<u><u>2,177</u></u>	<u><u>0</u></u>
<b><u>INVESTMENT SECURITIES</u></b>					
Term Deposits <sup>1</sup>		10,818	6,529	11,940	7,083
Managed Funds <sup>2</sup>		<u>9,242</u>	<u>0</u>	<u>4,043</u>	<u>0</u>
<b>TOTAL INVESTMENT SECURITIES</b>		<u><u>20,060</u></u>	<u><u>6,529</u></u>	<u><u>15,983</u></u>	<u><u>7,083</u></u>
<b>TOTAL CASH ASSETS AND INVESTMENT SECURITIES</b>		<u><u>21,841</u></u>	<u><u>6,529</u></u>	<u><u>18,160</u></u>	<u><u>7,083</u></u>

**RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES**

<u>Purpose</u>		2005		2004	
		Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
<b><u>EXTERNAL RESTRICTIONS</u></b>					
<b>- Included in liabilities</b>					
RTA Advances (E)		<u>105</u>	<u>0</u>	<u>0</u>	<u>0</u>
		105	0	0	0
<b>- Other</b>					
Developer Contributions (A)	6(b), 17	6,395	6,529	3,519	7,083
Domestic Waste Management (B)	6(b)	142	0	53	0
Specific Purpose Unexpended Grants (C)	6(b), 14	<u>1,895</u>	<u>0</u>	<u>1,441</u>	<u>0</u>
		<u>8,432</u>	<u>6,529</u>	<u>5,013</u>	<u>7,083</u>
<b>TOTAL EXTERNAL RESTRICTIONS</b>		<u>8,537</u>	<u>6,529</u>	<u>5,013</u>	<u>7,083</u>
<b>TOTAL INTERNAL RESTRICTIONS</b>	6(b)	13,304	0	13,147	0
<b>TOTAL UNRESTRICTED</b>		0	0	0	0
<b>TOTAL CASH ASSETS AND INVESTMENTS SECURITIES</b>		<u><u>21,841</u></u>	<u><u>6,529</u></u>	<u><u>18,160</u></u>	<u><u>7,083</u></u>

<sup>1</sup> The Deposits are bearing fixed interest rates between 2.97% and 9.11% (2004 - 4.65% and 9.75%)

<sup>2</sup> The Deposits are bearing floating interest rates between 5.57% and 7.22% (2004 - 5.219% and 6.763%)

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 6(b)

**DETAILS OF MOVEMENTS & UTILISATION OF  
RESTRICTED CASH ASSETS AND INVESTMENTS**

Restrictions	Notes	Movements			Closing Balance 30 June 2005 \$'000	Proposed Utilisation of Restriction		
		Opening Balance 30 June 2004 \$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000		Less than 1 Year	Between 1 and 5 Years	Greater than 5 Years
<b>External</b>								
Developer Contributions	6(a), 17	10,602	3,183	861	12,924	6,395	6,529	0
RTA Advances	6(a)	0	105	0	105	105	0	0
Domestic Waste Management	6(a)	53	3,528	3,439	142	142	0	0
Specific Purpose Unexpended Grants	6(a), 14	1,441	958	504	1,895	1,895	0	0
<b>Total External Restrictions</b>		<u>12,096</u>	<u>7,774</u>	<u>4,804</u>	<u>15,066</u>	<u>8,537</u>	<u>6,529</u>	<u>0</u>
<b>Internal (D)</b>								
Employee Leave Entitlements		1,100	0	0	1,100	1,100	0	0
Economic Development		2,204	692	824	2,072	2,072	0	0
Waste Disposal Site Construction		1,101	408	196	1,313	1,313	0	0
Computer Replacement		900	175	174	901	901	0	0
Carry Over Works		1,422	1,624	1,422	1,624	1,624	0	0
Environmental Works		365	0	42	323	323	0	0
Workers Compensation		737	0	737	0	0	0	0
Competencies - Award Provision		207	122	307	22	22	0	0
Asset Management		1,639	400	685	1,354	1,354	0	0
CBD / Mall Construction		705	844	783	766	766	0	0
Year End Creditors		1,322	1,035	1,322	1,035	1,035	0	0
Compensatory Habitat		0	40	0	40	40	0	0
Unexpended Loans		1,445	3,140	1,831	2,754	2,754	0	0
<b>Total Internal Restrictions</b>		<u>13,147</u>	<u>8,480</u>	<u>8,323</u>	<u>13,304</u>	<u>13,304</u>	<u>0</u>	<u>0</u>
<b>Total Restrictions</b>		<u>25,243</u>	<u>16,254</u>	<u>13,127</u>	<u>28,370</u>	<u>21,841</u>	<u>6,529</u>	<u>0</u>

- A. Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans. (see Note 14)
- B. Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.
- C. Grants which are not yet expended for the purposes for which they were obtained. (See Note 1)
- D. All internal restrictions are shown as having a proposed utilisation of less than 1 year, regardless of when the funds will be actually utilised, in accordance with the Local Government Code of Accounting Practice and Financial Reporting.
- E. Advances by the Roads & Traffic Authority (RTA) for work on regional roads.

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 7

**RECEIVABLES**

<u>Purpose</u>	Actual 2005		Actual 2004	
	<u>Current</u> \$'000	<u>Non-current</u> \$'000	<u>Current</u> \$'000	<u>Non-current</u> \$'000
Rates and Annual Charges	1,196	0	1,178	0
User Charges & Fees	517	0	430	0
Government Grants and Subsidies	398	0	39	0
Interest & Extra Charges	145	0	153	0
Accrued Interest on Investments	121	0	247	0
Other				
- Contributions	226	0	136	0
- GST	217	0	303	0
- Food Inspection Licences	3	0	7	0
- Property Rentals	6	0	16	0
- Road Reinstatements	11	0	11	0
- Workers Compensation	19	0	31	0
- Watermain Relocations	217	0	0	0
- Sale of Real Estate Assets	0	0	50	0
- Sale of Property	0	0	641	0
- Other	74	0	20	0
	<u>3,150</u>	<u>0</u>	<u>3,262</u>	<u>0</u>
Total				
Less: Provision for Doubtful Debts				
- Rates and Annual Charges	15	0	15	0
- User Charges & Fees	2	0	10	0
- Other	13	0	5	0
	<u>3,120</u>	<u>0</u>	<u>3,232</u>	<u>0</u>

**RESTRICTED RECEIVABLES**

<u>Purpose</u>	Actual 2005		Actual 2004	
	<u>Current</u> \$'000	<u>Non-current</u> \$'000	<u>Current</u> \$'000	<u>Non-current</u> \$'000
Domestic Waste Management	72	0	63	0
RTA Contributions & Donations	398	0	39	0
RTA User Charges & Fees	<u>277</u>	<u>0</u>	<u>191</u>	<u>0</u>
<b>TOTAL RESTRICTED RECEIVABLES</b>	<b>747</b>	<b>0</b>	<b>293</b>	<b>0</b>
<b>UNRESTRICTED RECEIVABLES</b>	<u><b>2,373</b></u>	<u><b>0</b></u>	<u><b>2,939</b></u>	<u><b>0</b></u>
<b>TOTAL RECEIVABLES</b>	<u><b>3,120</b></u>	<u><b>0</b></u>	<u><b>3,232</b></u>	<u><b>0</b></u>

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 7 (Cont'd)**

**RECEIVABLES**

Rates and Annual Charges

Rates are secured by underlying properties. Interest is charged on overdue rates at 9.0% (2004 - 9.0%). Rates are due for payment on 31st August, 30th November, 28th February and 31st May each year.

Overdue rates are those not paid within 1 day of the due date. The amount of the overdue debts upon which interest is charged is \$1.196m (2004 - \$1.178m). Where collection of the debt is doubtful and the assessed value of the property is less than the amount outstanding a provision for doubtful debt is recognised for the shortfall.

Government Grants

Government grants and subsidies have been guaranteed.

User Charges and Fees

User charges and fees are unsecured. The credit risk for this class of debtor is 100% of the carrying value. A provision for doubtful debts in respect of the class of debtor has already been provided in an amount of \$2K.

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 8

**INVENTORIES & OTHER ASSETS**

	Actual 2005		Actual 2004	
	<u>Current</u> \$'000	<u>Non-current</u> \$'000	<u>Current</u> \$'000	<u>Non-current</u> \$'000
<u>Inventories</u>				
- Stores & Materials	<u>289</u>	<u>0</u>	<u>240</u>	<u>0</u>
Total	<u><u>289</u></u>	<u><u>0</u></u>	<u><u>240</u></u>	<u><u>0</u></u>
<u>Other</u>				
Prepayments	<u>2</u>	<u>0</u>	<u>7</u>	<u>0</u>
	<u><u>2</u></u>	<u><u>0</u></u>	<u><u>7</u></u>	<u><u>0</u></u>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 9 (a)**

**PROPERTY, PLANT AND EQUIPMENT**

BY ASSET TYPE	At 30/6/2004				MOVEMENTS DURING YEAR							At 30/6/2005			
	At Cost	At Valuation	Accum Depn	Book Value	Asset Purchases	Asset Transfers	Asset Disposals	Depn	Recoverable Amount W/Downs	Recoverable Amount Reversals	Net Revaluation	At Cost	At Valuation	Accum Depn	Book Value
Plant & equipment	10,866	0	5,841	5,025	4,624	0	2,645	1,376	0	0	0	11,311	0	5,683	5,628
Office equipment	1,169	0	771	398	142	0	0	148	0	0	0	1,311	0	919	392
Furniture and fittings	827	0	454	373	38	0	1	84	0	0	0	856	0	530	326
Land															
- Operational Land	10,835	0	0	10,835	924	0	246	0	0	0	0	11,513	0	0	11,513
- Community Land	129,760	0	0	129,760	0	0	0	0	0	0	0	129,760	0	0	129,760
Buildings	32,013	0	12,642	19,371	1,501	0	0	397	0	0	0	33,515	0	13,040	20,475
Park equip & community improvements	17,459	0	8,885	8,574	1,579	0	0	585	0	0	0	19,037	0	9,469	9,568
Infrastructure															
- Roads, bridges and footpaths	231,308	0	83,290	148,018	12,712	0	0	2,334	0	0	0	244,020	0	85,624	158,396
- Non-depreciable bulk earthworks <sup>1</sup>	19,996	0	0	19,996	0	0	0	0	0	0	0	19,996	0	0	19,996
- Storm water drainage	80,746	0	16,498	64,248	4,149	0	0	807	0	0	0	84,895	0	17,305	67,590
Other assets															
- Library books	2,104	0	1,645	459	192	0	0	130	0	0	0	2,296	0	1,775	521
- Art Works	0	877	0	877	234	0	0	0	0	0	53	0	1,164	0	1,164
- Bushfire equipment	1,945	0	1,143	802	238	0	0	279	0	0	0	2,183	0	1,422	761
- Musical instruments	28	0	10	18	0	0	0	3	0	0	0	28	0	13	15
<b>TOTALS</b>	<b>539,056</b>	<b>877</b>	<b>131,179</b>	<b>408,754</b>	<b>26,333</b>	<b>0</b>	<b>2,892</b>	<b>6,143</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>560,721</b>	<b>1,164</b>	<b>135,780</b>	<b>426,105</b>

1 Represents that part of the Infrastructure (roads, bridges and footpaths) that has similar characteristics to land in that it has an indeterminate life and therefore is not depreciated.

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 9 (b)

**RESTRICTED PROPERTY, PLANT AND EQUIPMENT**

CLASS OF ASSET	AT COST	AT VAL	A/C DEP	WDV	AT COST	AT VAL	A/C DEP	WDV
	2005 \$'000				2004 \$'000			
<b><u>Domestic Waste Management</u></b>								
Plant & Equipment	1,687	0	1,101	586	1,653	0	1,194	459
Land								
- operational land	96	0	0	96	102	0	0	102
Buildings	150	0	93	57	160	0	99	61
<b>TOTAL RESTRICTIONS</b>	<b>1,933</b>	<b>0</b>	<b>1,194</b>	<b>739</b>	<b>1,915</b>	<b>0</b>	<b>1,293</b>	<b>622</b>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 10 (a)**

**PAYABLES, INTEREST BEARING LIABILITIES AND PROVISIONS**

<u>Item</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2004</u>		
	<u>Current</u> <u>\$'000</u>	<u>Non-Current</u> <u>\$'000</u>	<u>Current</u> <u>\$'000</u>	<u>Non-Current</u> <u>\$'000</u>
<b><u>PAYABLES</u></b>				
Goods and Services	2,903	0	4,503	0
Payments received in advance	127	0	12	0
Accrued Expenses	189	0	149	0
Other				
- Insurance	0	0	0	0
- Other	4	0	4	0
	<u>3,223</u>	<u>0</u>	<u>4,668</u>	<u>0</u>
Total Payables				
	<u>3,223</u>	<u>0</u>	<u>4,668</u>	<u>0</u>
<b><u>INTEREST BEARING LIABILITIES</u></b>				
Loans	1,085	7,556	877	5,501
Hire Purchase	278	609	310	210
	<u>1,363</u>	<u>8,165</u>	<u>1,187</u>	<u>5,711</u>
Total Interest Bearing Liabilities				
	<u>1,363</u>	<u>8,165</u>	<u>1,187</u>	<u>5,711</u>
<b><u>PROVISIONS</u></b>				
Annual Leave	1,508	0	1,449	0
Sick Leave	430	526	390	528
Long Service Leave	340	2,793	310	2,768
RDO/Time in Lieu	99	0	91	0
	<u>2,377</u>	<u>3,319</u>	<u>2,240</u>	<u>3,296</u>
Total Provisions				
	<u>2,377</u>	<u>3,319</u>	<u>2,240</u>	<u>3,296</u>

Note: Interest rates applicable for borrowings repaid during the reporting period were in the range of 5.56% to 7.857%. Borrowings are secured by a charge over the income of Council

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ending 30 June 2005

Note 10 (b)

**DESCRIPTION AND MOVEMENTS IN**

**PROVISIONS**

Class of Provision	Opening Balance 30 June 2004 \$'000	2005	2005		2005
		Increase to \$'000	Reduction of Provision		Closing Balance \$'000
			Payments \$'000	Re-Measurement \$'000	
Employee Leave Entitlements	5,536	1,797	1,637	0	5,696
<b>Total</b>	5,536	1,797	1,637	0	5,696

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 10 (c)

**DETAILS OF CURRENT**

**PAYABLES, INTEREST BEARING**

**LIABILITIES AND PROVISIONS**

	Specific Purpose		General Purpose		TOTAL	
	DWM		General Purpose		TOTAL	
	<u>Current</u> \$'000		<u>Current</u> \$'000		<u>Current</u> \$'000	
	2005	2004	2005	2004	2005	2004
<b>Payables</b>	0	0	3,223	4,668	3,223	4,668
<b>Interest Bearing Liabilities</b>	193	232	1,170	955	1,363	1,187
<b>Provisions</b>	0	0	2,377	2,240	2,377	2,240
<b>TOTALS</b>	193	232	6,770	7,863	6,963	8,095

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 11**

**STATEMENT OF CASH FLOWS**

<b>(a) Reconciliation of Cash Assets</b>	<b>Notes</b>	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
Total Cash Assets	6(a)	1,781	2,177
		<hr/>	<hr/>
<b>Balances as per statement of cash flows</b>		<u>1,781</u>	<u>2,177</u>
<b>(b) Reconciliation of Surplus / (Deficit) from ordinary activities to Cash from Operating Activities</b>		<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
Surplus / (deficit) from ordinary activities		19,012	22,550
Add: Depreciation		6,143	5,841
Increase in provision for doubtful debts		0	2
Increase in employee leave entitlements		160	377
Decrease in receivables		112	1,001
Decrease in other current assets		5	257
Increase in payables		0	1,833
Increase in accrued interest payable		40	14
		<hr/>	<hr/>
		25,472	31,875
Less: Increase in inventories		49	45
Decrease in payables		1,485	0
Non cash capital grants and contributions		11,129	12,665
Gain on sale of assets		600	1,630
		<hr/>	<hr/>
<b>Net Cash provided by (or used in) operating activities</b>		<u>12,209</u>	<u>17,535</u>

COUNCIL OF THE CITY OF MAITLAND

NOTES FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 11 (Cont'd)

**STATEMENT OF CASH FLOWS**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>(c) Non-Cash Financing and Investing Activities</b>		
Asset Contributions		
- Bushfire equipment	238	3
- Roads, bridges & footpaths	6,849	7,818
- Drainage	3,807	4,819
- Musical instruments	0	14
- Art works	235	11
	<u>11,129</u>	<u>12,665</u>
Trade Ins		
- Motor vehicles acquired during the year were partially financed by the trade in of other vehicles	<u>3,002</u>	<u>2,813</u>
<b>(d) Financing Arrangements</b>		
Unrestricted access was available at balance date to the following:		
- Bank Overdraft Facility*	<u>750</u>	<u>750</u>

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable (the applicable rate at balance date was 9.85%) while the rates for loans are set for the period of the loans.

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 12**

**COMMITMENTS FOR EXPENDITURE**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Communication system	302	0
Construction of East Maitland library	0	952
Total	302	952
This expenditure is payable as follows:		
Not later than one year	302	952
Later than 1 year and not later than 5 years	0	0
Later than 5 years	0	0
Total	302	952
<b>(b) Service Commitments</b>		
Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:		
Staff contracts	2,463	3,082
Recycling service	2,305	3,240
Total	4,768	6,322
This expenditure is payable as follows:		
Not later than one year	1,890	1,755
Later than 1 year and not later than 5 years	2,878	4,567
Later than 5 years	0	0
Total	4,768	6,322
<b>(c) Operating Lease Commitments</b>		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
Not later than one year	214	247
Later than 1 year and not later than 5 years	196	262
Later than 5 years	3	6
Total	413	515

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 13**

**STATEMENT OF PERFORMANCE MEASUREMENT**  
**for the year ending 30 June 2005**

		2004/2005	2003/2004	2002/2003	2001/2002
<b><u>Amounts</u></b>	<b><u>Indicators</u></b>				
<b>1. CURRENT RATIO</b>					
<b>Factors</b>					
<u>Current Assets</u>	\$ 25,252	Ratio <b>3.63</b>	2.67	2.70	2.21
Current Liabilities	\$ 6,963				
<b>2. UNRESTRICTED CURRENT RATIO</b>					
<b>Factors</b>					
<u>Current Assets less All External Restrictions</u> <sup>1</sup>	\$ 15,968	Ratio <b>2.36</b>	2.02	1.94	1.76
Current Liabilities less Specific Purpose Liabilities <sup>2</sup>	\$ 6,770				
<b>3. DEBT SERVICE RATIO</b>					
<b>Factors</b>					
<u>Debt Service Cost</u>	\$ 1,698	<b>4.50%</b>	4.25%	4.61%	4.54%
Revenue from Ordinary Activities	\$ 37,715				
<b>4. RATE COVERAGE RATIO</b>					
<b>Factors</b>					
<u>Rates &amp; Annual Charges</u>	\$ 24,465	<b>43.61%</b>	39.56%	43.44%	49.35%
Total Revenues	\$ 56,098				
<b>5. RATES &amp; ANNUAL CHARGES OUTSTANDING PERCENTAGE</b>					
<b>Factors</b>					
<u>Rates &amp; Annual Charges Outstanding</u>	\$ 1,326	<b>5.11%</b>	5.36%	7.26%	7.49%
Rates & Annual Charges Collectable	\$ 25,955				

<sup>1</sup> Refer to Notes 6-8 inclusive

<sup>2</sup> Refer to Note 10(c)

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 14

**CONDITIONS OVER GRANTS & CONTRIBUTIONS**

	<u>Notes</u>	Actual 2005 \$'000 <u>Grants</u>	\$'000 <u>Contrib</u>	Actual 2004 \$'000 <u>Grants</u>	\$'000 <u>Contrib</u>
Grants and Contributions which were obtained on the condition that they be expended for specified purposes or in a future period but which are not yet expended in accordance with those conditions, are as follows:					
Unexpended at the close of the previous reporting period					
- Grants for road works (transport)		177		298	
- Grants - other		<u>1,264</u>		<u>967</u>	
		1,441	10,602	1,265	8,735
Less:					
Expended during the current reporting period from revenues recognised in previous reporting periods					
- Grants for road works (transport)		177		298	
- Grants - other		<u>327</u>		<u>720</u>	
		504	861	1,018	2,168
Plus:					
Amounts recognised as revenues in current reporting period but not yet expended in accordance with the conditions.					
- Grants for road works (transport)		164		177	
- Grants - other		<u>794</u>		<u>1,017</u>	
		958	3,183	1,194	4,035
Unexpended at the close of the current reporting period and held as restricted assets					
- Grants for road works (transport)		164		177	
- Grants - other		<u>1,731</u>		<u>1,264</u>	
	6(a&b)	<u>1,895</u>	<u>12,924</u>	<u>1,441</u>	<u>10,602</u>
Net increase (decrease) in restricted assets in the current reporting period					
- Grants for road works (transport)		(13)		(121)	
- Grants - other		<u>467</u>		<u>297</u>	
		<u>454</u>	<u>2,322</u>	<u>176</u>	<u>1,867</u>

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ending 30 June 2005

Note 15

**FINANCIAL INSTRUMENTS**

**Interest Rate Risk Exposures**

The council's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates, which the council intends to hold as fixed rate assets and liabilities to maturity.

2005		Floating Interest Rate (\$'000)	Fixed Interest Maturing In:			Non Interest Bearing (\$'000)	Total (\$'000)
	Notes		<= 1 year (\$'000)	> 1 year <= 5 years (\$'000)	> 5 years (\$'000)		
<b><u>Financial Assets</u></b>							
Cash and deposits	6	1,775				6	1,781
Receivables:							
- Rates & Annual Charges	7		1,181				1,181
- User Charges & Fees	7					515	515
- Government Grants & Subsidies	7					398	398
- Accrued Interest on Investments	7					121	121
- Other	7					760	760
Investments							
- Term Deposits	6		15,347	2,000			17,347
- Managed Funds	6	9,242					9,242
<b>Total</b>		11,017	16,528	2,000	0	1,800	31,345
Weighted average interest rate		5.90%	6.52%	6.57%			
<b><u>Financial Liabilities</u></b>							
Trade & Other Payables	10(a)					2,903	2,903
Loans & Hire Purchase	10(a)		54	2,652	6,822		9,528
<b>Total</b>		0	54	2,652	6,822	2,903	12,431
Weighted average interest rate			5.88%	6.36%	6.24%		
<b>Net Financial Assets / (Liabilities)</b>		11,017	16,474	(652)	(6,822)	(1,103)	18,914

COUNCIL OF THE CITY OF MAITLAND

NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005

Note 15 (Cont'd)

**FINANCIAL INSTRUMENTS**

2004	Notes	Floating Interest Rate (\$'000)	Fixed Interest Maturing In:			Non Interest Bearing (\$'000)	Total (\$'000)
			<= 1 year (\$'000)	> 1 year <= 5 years (\$'000)	> 5 years (\$'000)		
<b><u>Financial Assets</u></b>							
Cash and deposits	6	2,166				11	2,177
Receivables:							
- Rates & Annual Charges	7		1,163				1,163
- User Charges & Fees	7					420	420
- Government Grants & Subsidies	7					39	39
- Accrued Interest on Investments	7					247	247
- Other	7					1,210	1,210
Investments							
- Term Deposits	6		17,023	2,000			19,023
- Managed Funds	6	4,043					4,043
<b>Total</b>		6,209	18,186	2,000	0	1,927	28,322
Weighted average interest rate		5.57%	6.37%	6.35%			
<b><u>Financial Liabilities</u></b>							
Trade & Other Payables	10(a)					4,503	4,503
Borrowings	10(a)		237	2,148	4,513		6,898
<b>Total</b>		0	237	2,148	4,513	4,503	11,401
Weighted average interest rate			6.92%	6.16%	6.32%		
<b>Net Financial Assets / (Liabilities)</b>		<u>6,209</u>	<u>17,949</u>	<u>(148)</u>	<u>(4,513)</u>	<u>(2,576)</u>	<u>16,921</u>

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 15 (Cont'd)**

**FINANCIAL INSTRUMENTS**

	<b>Actual 2005 \$'000</b>	<b>Actual 2004 \$'000</b>
<b>Reconciliation of Net Financial Assets</b>		
Net financial assets from previous pages		
- Financial Assets	31,345	28,322
- Financial Liabilities	<u>(12,431)</u>	<u>(11,401)</u>
Net Financial Assets	18,914	16,921
Non-financial assets and liabilities		
- Accrued revenues	145	153
- Inventories	289	240
- Property, plant & equipment	426,105	408,754
- Other assets	2	7
- Accrued expenses	(189)	(149)
- Provisions	(5,696)	(5,536)
- Other liabilities	<u>(131)</u>	<u>(16)</u>
	420,525	403,453
	<hr/>	<hr/>
Net Assets per Statement of Financial Position	<u>439,439</u>	<u>420,374</u>

**Net Fair Value of Financial Assets and Financial Liabilities**

All carrying values approximate fair value for all recognised financial instruments. The net fair value of financial assets and financial liabilities were assessed upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 16**

**MATERIAL BUDGET VARIATIONS**

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 22nd June 2004. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and decisions made by the Council.

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

Revenues

1. User charges & fees

Actual amounts of user charges & fees received were over budget by \$743K (F) (14.0%). Principle certifying authority compliance inspections, sub division compliance certificates & regulatory/statutory fees were over budget by \$202K (F) due to an increase in building activity in the city. Swimming pool entry fees exceeded budget by \$21K (F). The fees received for maintenance work done by Council on RTA controlled roads exceeded budget by \$530K (F) as Council's budget was prepared prior to the RTA maintenance program being finalised. Increases in user charges & fees were identified in Council's quarterly budget review process.

2. Interest

The actual amount of interest received was over budget by \$845K (F) (82.7%). This was because interest rates remained higher during the year than was expected and Council achieved better returns than estimated on its managed funds. Further, Council's s.94 developer contributions held increased by \$2.3M during 2004/05 and a number of capital projects were not completed during 2004/05, resulting in additional funds being available for investment. Interest earned on s.94 funds totalled \$741K, and was transferred to a restricted asset, in accordance with s.94 legislation. Increases in interest income were identified in Council's quarterly budget review process.

3. Other revenues from ordinary activities

The actual amount of other revenues received was over budget by \$103K (F) (21.2%). Revenue from fines exceeded budget by \$64K (F) due to a concerted effort to enforce parking regulations in the city. Further, Council received \$14K (F) in coal compensation income that was not budgeted for, whilst art gallery income exceeded budget by \$30K (F) due to a number of program initiatives being implemented in 2004/05.

4. Net gain / (loss) on disposal of assets

Council's estimated loss on disposal of assets for the year of \$5K was a nominal amount to cover miscellaneous property disposal costs. Council actually made a profit of \$600K, being over budget by \$605K (F) (12,100%). A profit of \$243K (F) was made on the disposal of property, relating to the sale of surplus land held by Council. All proceeds from the sale of property are transferred to the Economic Development Reserve. A profit of \$357K (F) was made on the disposal of plant & equipment resulting mainly from the trade in prices received on a compactor and a track loader, having written down values of nil.

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 16 (Cont'd)**

**MATERIAL BUDGET VARIATIONS**

Revenues (Cont'd)

5. Grants & contributions for non-capital purposes

Actual amounts of grants & contributions received were over budget by \$805K (F) (15.2%). Grants and contributions were received for a number of projects, totalling \$463K (F) that were not budgeted for, including: greening plan \$136K (F), Maitland Gaol heritage project \$159K (F), library special purpose \$25K (F), art gallery projects \$83K (F) and the late night bus loop \$22K (F). A number of projects received grants in excess of budgeted amounts during the year, including: noxious weeds \$22K (F), road safety program \$43K (F) and the community sensory garden \$16K (F). The financial assistance grant was over budget by \$64K (F) and there was also a variation in the actual amount of grants & contributions received for maintenance work done by Council on Council controlled roads, due to changes to the RTA approved maintenance program. Actual contributions received exceeded budget by \$131K (F). Increases were identified in Council's quarterly budget review process.

6. Grants & contributions for capital purposes

Actual amounts of capital grants & contributions received were over budget by \$11.9M (F) (266.1%). Development contributions (not s.94) were received for roadworks and drainage that were not budgeted for in the Management Plan, totalling \$10.66M (F). Grants and contributions were received for a number of projects, totalling \$1.14M (F) that were not budgeted for, including: Woodberry Family Centre early intervention program \$394K (F), Better Futures project \$49K (F), watermain relocations \$457 (F) and contributions to the art gallery permanent collection \$235K (F). There was also a variation in the actual amount of contributions received for construction work done by Council on Council controlled roads, due to changes to the RTA program. Actual RTA contributions received exceeded budget by \$229K (F). Similarly, the actual grant received for the Roads to Recovery program exceeded budget by \$21K (F).

Expenses

1. Materials & Contracts

Actual amounts of materials & contracts were over budget by \$3.15M (F) (48.3%). RTA funded maintenance works exceeded budget by \$661K (U) as Council's budget was prepared prior to the RTA program being finalised. Similarly, expenditure on other funded projects exceeded budget by \$674K (U) and are detailed above in the revenue variations. Carry over projects from 2003/04 totalling \$1.3M (U) are included in the expenditure, however as the projects were carried over, there is no corresponding original budget figure for 2004/05. Projects totalling \$161K (U) were identified in Council's quarterly budget review process, including: maintenance & repair of East Maitland pool \$10K (U), Council's youth centre \$14K (U), Brough House \$42K (U), administration building \$7K (U) and works depot \$8K (U). Other approved projects include the green waste trial \$8K (U), bushfire management plan \$30K and various community projects totalling \$12K (U).

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

Note 17

**STATEMENT OF CONTRIBUTION PLANS**

**SUMMARY OF CONTRIBUTION PLANS**

PURPOSE	OPENING BALANCE \$ '000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$ '000	EXPENDED DURING YEAR \$ '000	HELD AS RESTRICTED ASSET \$ '000	WORKS PROVIDED TO DATE \$ '000
		CASH \$ '000	NON-CASH \$ '000				
Roads & Drainage	1,941	464	0	143	44	2,504	1,513
Traffic Facilities	333	87	0	24	54	390	777
Parking	428	2	0	22	209	243	633
Open Space	3,219	775	0	231	180	4,045	12,751
Community Facilities	4,295	1,004	0	300	172	5,427	4,611
Other	386	110	0	21	202	315	515
<b>TOTAL</b>	<b>10,602</b>	<b>2,442</b>	<b>0</b>	<b>741</b>	<b>861</b>	<b>12,924</b>	<b>20,800</b>

**CONTRIBUTION PLAN**

PURPOSE	OPENING BALANCE \$ '000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$ '000	EXPENDED DURING YEAR \$ '000	HELD AS RESTRICTED ASSET \$ '000	WORKS PROVIDED TO DATE \$ '000
		CASH \$ '000	NON-CASH \$ '000				
Roads & Drainage	1,941	464	0	143	44	2,504	1,513
Traffic Facilities	333	87	0	24	54	390	777
Parking	428	2	0	22	209	243	633
Open Space	3,219	775	0	231	180	4,045	12,751
Community Facilities	4,295	1,004	0	300	172	5,427	4,611
Other	386	110	0	21	202	315	515
<b>TOTAL</b>	<b>10,602</b>	<b>2,442</b>	<b>0</b>	<b>741</b>	<b>861</b>	<b>12,924</b>	<b>20,800</b>

**COUNCIL OF THE CITY OF MAITLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ending 30 June 2005**

**Note 18**

**CONTINGENCIES AND OTHER**  
**ASSETS AND LIABILITIES**  
**NOT RECOGNISED**

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

- (a) Council is guarantor of a bank loan obtained by the Maitland Park Tennis Club. The amount of the original loan was \$21,000.
- (b) Council is guarantor of a bank loan obtained by the Maitland City Tennis Club. The amount of the original loan was \$90,000.
- (c) Council is a joint guarantor for a loan of \$2.86 million which was drawn down on the 1st July 2003 by Hunter Councils Limited. The total loan approved was for \$3.4 million, and Council's exposure will be \$392,535.
- (d) Since 1994, Council has been insured (for Public Liability and Professional Indemnity) through Statewide Mutual. As a consequence of the HIH Insurance Group liquidation, a potential exposure to claims may exist amongst members of the Mutual.

The State Government is currently negotiating to remove all HIH exposures within the Local Government industry, and Lgov NSW is confident of the total elimination or substantial minimisation of potential exposures to councils.

Based on the above circumstances, Council is of the opinion that there is no need to recognise this potential liability in the Statement of Financial Position.

**COUNCIL OF THE CITY OF MAITLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ending 30 June 2005**

**Note 19**

**JOINT VENTURES & ASSOCIATED ENTITIES**

Council has an interest in Hunter Councils Limited, along with other Member Councils of Hunter Councils. The activities of this organisation are not controlled by any one Council.

Hunter Councils Limited has been established to improve the quality and efficiency of local government service throughout the Hunter Region. One such service is the establishment and provision of a Record Repository Centre for the use of the Member Councils and to outsource this service to other organisations.

This organisation was established in January 2003 after receiving Minister's consent, pursuant to Section 358(1) (a) of the Local Government Act 1993.

No material financial transactions have been incurred by this organisation during this reporting period.

<b>Hunter Councils Limited</b>	<b>2005</b>	<b>2004</b>
Council's respective interests are:		
- interest in outputs of the joint operation	11.545%	11.545%
- ownership interest in the joint operation	11.545%	11.545%
- the proportion of voting power in the joint operation	7.692%	6.667%

Council's interest in Hunter Councils Limited has not been accounted for in accordance with AAS14, as Council does not exercise significant influence over the joint operation.

**Contingent Liabilities**

Each member of the joint operation is liable for the debts of the operation as a result of guarantees given. Council is a joint guarantor for a loan of \$2.86 million, which was drawn down on 1 July 2003 by Hunter Councils Limited. The total loan approved was for \$3.4 million, and Council's exposure will be \$392,535.

1

**COUNCIL OF THE CITY OF MAITLAND**

**SPECIAL SCHEDULE NO. 1**

**NET COST OF SERVICES  
for the year ending 30 June 2005**

(\$'000)

Function or Activity	EXPENSES FROM ORDINARY ACTIVITIES		REVENUES FROM ORDINARY ACTIVITIES			NET COST OF SERVICES	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>GOVERNANCE</b>	566		0	0		(566)	
		566			0		(566)
<b>ADMINISTRATION</b>							
Corporate Support	2,060		963	0		(1,097)	
Engineering & Works	3,274		1	0		(3,273)	
Other Support Services	2,829		9	0		(2,820)	
		8,163			973		(7,190)
<b>PUBLIC ORDER &amp; SAFETY</b>							
Fire Protection	714		32	238		(444)	
Animal Control	98		45	0		(53)	
Enforcement of Local Gov't. Regs	318		0	0		(318)	
Emergency Services	78		0	28		(50)	
		1,208			343		(865)
<b>HEALTH</b>							
Administration & Inspection	187		6	0		(181)	
Immunisations	15		14	0		(1)	
Food Control	0		36	0		36	
Noxious Plants	221		44	0		(177)	
Other	1		0	0		(1)	
		424			100		(324)
<b>COMMUNITY SERVICES &amp; EDUCATION</b>							
Administration	785		2	0		(783)	
Youth Services	6		0	0		(6)	
Aged & Disabled	100		263	0		163	
Other Community Services	155		220	0		65	
		1,046			485		(561)
<b>HOUSING AND COMMUNITY AMENITIES</b>							
Housing	14		40	0		26	
Town Planning	1,609		1,602	0		(7)	
Domestic Waste Management	3,703		3,764	0		61	
Other Waste Management	661		1,825	0		1,164	
Street Cleaning	97		0	0		(97)	
Other Sanitation & Garbage	54		240	0		186	
Urban Stormwater Drainage	925		0	3,848		2,923	
Environmental Protection	336		194	25		(117)	
Public Cemeteries	57		50	0		(7)	
Public Conveniences	183		0	0		(183)	
Other Community Amenities	3		0	0		(3)	
		7,642			11,588		3,946

**COUNCIL OF THE CITY OF MAITLAND**

**SPECIAL SCHEDULE NO. 1**

**NET COST OF SERVICES ( CONT'D )**  
for the year ending 30 June 2005

(\$'000)

Function or Activity	EXPENSES FROM ORDINARY ACTIVITIES		REVENUES FROM ORDINARY ACTIVITIES			NET COST OF SERVICES	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>RECREATION &amp; CULTURE</b>							
Public Libraries	1,875		188	0		(1,687)	
Art Galleries	649		140	235		(274)	
Community Centres	47		163	0		116	
Public Halls	982		31	443		(508)	
Other Cultural Services	299		355	0		56	
Swimming Pools	676		251	0		(425)	
Sporting Grounds	607		9	2,492		1,894	
Parks & Gardens	2,109		20	1		(2,088)	
Other Sport & Recreation	968		5	0		(963)	
		8,212			4,333		(3,879)
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>							
Building Control	707		911	0		204	
		707			911		204
<b>TRANSPORT &amp; COMMUNICATION</b>							
Urban Roads	4,128		4	8,411		4,287	
Sealed Rural Roads	460		0	0		(460)	
Unsealed Rural Roads	187		0	0		(187)	
Bridges	302		0	0		(302)	
Footpaths	305		0	61		(244)	
Parking Areas	35		110	0		75	
Bus Shelters & Services	6		0	0		(6)	
RTA Works	859		842	528		511	
Street Lighting	762		74	0		(688)	
Other	685		23	94		(568)	
		7,729			10,147		2,418
<b>ECONOMIC AFFAIRS</b>							
Tourism & Area Promotion	1,339		353	0		(986)	
Real Estate Development	39		19	0		(20)	
Other Business Undertakings	11		0	0		(11)	
		1,389			372		(1,017)
<b>TOTALS - FUNCTIONS</b>		37,086			29,252		(7,834)

**COUNCIL OF THE CITY OF MAITLAND**

**SPECIAL SCHEDULE NO. 1**

**NET COST OF SERVICES ( CONT'D )**  
for the year ending 30 June 2005

(\$'000)

Function or Activity	EXPENSES FROM ORDINARY ACTIVITIES		REVENUES FROM ORDINARY ACTIVITIES			NET COST OF SERVICES	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>GENERAL PURPOSE REVENUES<sup>1</sup></b>			26,846	0	26,846		26,846
<b>SURPLUS / (DEFICIT) FROM ALL ACTIVITIES<sup>2</sup></b>		37,086			56,098		19,012

1. General Purpose Revenues consist of:-

- \* Rates and Annual Charges (including Ex-Gratia Payments)
- \* Non-Capital General Purpose Grants
- \* Interest on Investments

2. As reported on the Statement of Financial Performance

COUNCIL OF THE CITY OF MAITLAND

SPECIAL SCHEDULE NO. 2(a)

**STATEMENT OF LONG - TERM DEBT (ALL PURPOSE)**  
for the year ending 30 June 2005

(\$,000)

Classification of Debt	Principal Outstanding at beginning of Year			New Loans Raised during the year	Debt Redemption During the Year		Interest Applicable for Year	Principal Outstanding at end of Year		
	Current	Non-Current	Total		From Revenue	Sinking Funds		Current	Non-Current	Total
<b>LOANS (By Source)</b>										
Financial Institutions	877	5,501	6,378	3,140	877	0	429	1,085	7,556	8,641
<b>TOTAL LOANS</b>	877	5,501	6,378	3,140	877	0	429	1,085	7,556	8,641
<b>OTHER LONG TERM DEBT</b>										
Hire Purchase	310	210	520	715	348	0	43	278	609	887
<b>TOTAL LONG TERM DEBT</b>	1,187	5,711	6,898	3,855	1,225	0	472	1,363	8,165	9,528

**COUNCIL OF THE CITY OF MAITLAND**

**SPECIAL SCHEDULE NO. 7**

**CONDITION OF PUBLIC WORKS**

as at 30 June 2005

(\$,000)

Asset Class	Asset Category (Determined by Council)	Depreciation Rate %	Depreciation Expense \$'000	Cost \$'000	Valuation \$'000	Accumulated Depreciation \$'000	WDV \$'000	Asset Condition	Estimated cost to bring to a satisfactory standard \$'000	Estimated Annual Maintenance Expense \$'000	Program Maintenance Works for current year \$'000
		Per Note 1	Per Note 3	Per Note 9				Per Section 428(2d)			
Buildings	Council Offices	1-10%	67	4,991	0	1,076	3,915	78%	190	68	67
	Council Works Depot	1-10%	40	3,969	0	2,842	1,127	58%	450	27	30
	Council Halls	1-5%	91	8,611	0	4,101	4,510	52%	298	176	141
	Council Houses	1%	2	176	0	108	68	50%	28	6	6
	Libraries	1%	35	4,442	0	830	3,612	81%	120	19	18
	Art Galleries	1%	17	1,723	0	35	1,688	98%	150	9	9
	Amenities / Toilets	1-5%	127	7,820	0	3,318	4,502	58%	360	96	97
	Emergency Services	1-2%	5	476	0	220	256	54%	9	1	1
	Council Pools	1%	13	1,307	0	510	797	61%	70	77	77
			397	33,515	0	13,040	20,475		1,675	479	446
Public Roads	Sealed Roads	1%	1,728	183,523	0	73,926	109,597	75%	23,500	988	985
	Unsealed Roads	1%	34	3,439	0	2,495	944	70%	1,983	247	247
	Bridges	1-1.67%	79	5,843	0	1,724	4,119	70%	610	51	51
	Footpaths	1%	28	3,107	0	104	3,003	69%	822	160	162
	Cycleways	1%	8	1,090	0	45	1,045	96%	76	3	0
	Kerb & Gutter	1%	441	45,250	0	7,214	38,036	84%	950	177	189
	Road Furniture	1%	16	1,768	0	116	1,652	93%	54	21	18
			2,334	244,020	0	85,624	158,396		27,995	1,647	1,652
Drainage Works	Retarding Basins	1%	18	1,764	0	100	1,664	94%	10	6	7
	Stormwater Conduits	1%	647	67,236	0	14,757	52,479	78%	1,398	190	217
	Inlet & Junction Pits	1%	122	12,961	0	2,282	10,679	82%	200	39	44
	Head Walls	1%	2	252	0	26	226	90%	50	1	1
	Outfall Structures	1%	14	2,292	0	37	2,255	98%	10	8	9
	Flood Gates	1%	4	390	0	103	287	74%	30	1	1
			807	84,895	0	17,305	67,590		1,698	245	279
<b>Total Classes</b>	<b>Total - All Assets</b>		<b>3,538</b>	<b>362,430</b>	<b>0</b>	<b>115,969</b>	<b>246,461</b>		<b>31,368</b>	<b>2,371</b>	<b>2,377</b>

**MAITLAND CITY COUNCIL**

**INDEPENDENT AUDIT REPORT**

**S417(2) – Report on the general purpose financial report**

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

This opinion must be read in conjunction with the rest of our audit report.

**Scope and summary of our role**

**The financial report and Council's responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993 for Maitland City Council (the Council), for the year ended 30 June 2005.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## **Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Statement of Financial Performance, Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website

<http://www.pwc.com.au/financialstatementaudit>

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

## **Independence**

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

  
PricewaterhouseCoopers



WM Russell  
Partner

Newcastle  
18 October 2005

The Mayor  
Councillor P Blackmore  
Maitland City Council  
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MAITLAND NSW 2320

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Dear Councillor Blackmore

**REPORT ON THE CONDUCT OF THE AUDIT FOR THE YEAR ENDED  
30 JUNE 2005 - SECTION 417(3)**

We have completed our audit of the financial report for Maitland City Council for the year ended 30 June 2005, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Statement of Financial Performance, Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

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

### **Statement of Financial Performance**

These financial statements incorporate Council's consolidated accounts for the year ended 30 June 2005. Council's Result from Ordinary Activities before Capital Amounts for the year ended 30 June 2005 shows a surplus of \$2,608,000 compared with a surplus of \$3,796,000 for the year ended 30 June 2004.

The improved result is primarily due to an increase in Rates and Annual Charges of \$1,809,000, Interest of \$312,000, and Grants and Contributions provided for non-capital purposes of \$474,000. This was offset by an increase in Employee Costs of \$1,015,000, Materials and Contracts expenses of \$579,000 and Other Expenses from Ordinary Activities of \$379,000 together with a decrease in the Gain from Disposal of Assets of \$1,030,000.

Several factors have contributed to the improved result before capital amounts. They are as follows:

#### *Rates and Annual Charges and User Charges and Fees*

The increase has been impacted by increases in rates levied and levels of development activity in the area.

*Interest*

Increased interest income is as a result of increases in the level of funds invested during the year.

*Grants and Contributions*

The increase is mainly attributable to increases in the Financial Assistance Grant combined with other one off grants such as funding for Maitland Gaol restoration and maintenance.

*Gains from disposal of assets*

The decrease in gains from the disposal of assets is largely due to the sale of Council's Rutherford Industrial Estate real estate assets during the previous year.

*Employee Costs*

The increase in Employee Costs is principally as a result of award increases, increases in full time equivalent employee numbers, increases in employee leave entitlements and increases in Workers Compensation premiums as a result of a worsening claims history.

*Other Expenses from Ordinary Activities*

The increase in other expenses is largely due to increases in the waste disposal levy flowing from an increase in the fee per tonne.

*Materials and Contracts*

The increase in Materials and Contracts expense is largely due to CPI cost increases combined with a move from capital infrastructure works back to maintenance in the current year.

After allowing for items of a capital nature, Council's Result from all Activities for the year ended 30 June 2005 was a surplus of \$19,012,000 compared to a surplus of \$22,550,000 for the year ended 30 June 2004.

Income from grants and contributions for capital purposes decreased by \$2,350,000. The decrease was largely attributable to higher levels of developer contributions (other than S94) in 2004 due to a reduction in development activity in the current year.

**Asset Recognition**

Except for land under roads, infrastructure assets acquired or constructed prior to 1 January 1993 have been capitalised in the accounts on a staged basis since June 1995, in accordance with the transitional provisions of the Local Government Code of Accounting Practice and Financial reporting.

**Performance Indicators**

Our comments in regard to Council's performance for the 2005 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

**(a) Liquidity**

At 30 June 2005, Council's net current assets stood at \$18,289,000 compared to \$13,544,000 at 30 June 2004. In other words, the total current assets that Council is expected to realise in the coming year exceeded the total current liabilities that will need to be met by \$18.3M. This is referred to as the current asset ratio and is a measure of the liquidity of Council. Prima facie, this places Council in a sound financial position however, it must be remembered that this balance includes items which are restricted in their use.

Included in Council's net current assets, are cash and investments of \$21,841,000 which are subject to restrictions as follows:

	6/05 \$'000	6/04 \$'000
Total cash and investments	21,841	18,160
Less: Items specifically restricted by external regulation	8,537	5,013
	<hr/> 13,304	<hr/> 13,147
Less: Amounts subject to restrictions made by Council to cover long term projects and commitments - Internal restrictions	13,304	13,147
Unrestricted Cash and Investments	<hr/> - =====	<hr/> - =====

**(b) Debt Service Cost**

At 30 June 2005 Council had outstanding loans of \$9,528,000 compared with \$6,898,000 at 30 June 2004. The debt service ratio has been used to give some indication of the cost of meeting loan and interest repayments as a percentage of revenue from ordinary activities, excluding specific purpose grants and contributions and represents 4.50% for the year ended 30 June 2005 and 4.25% for the year ended 30 June 2004. The debt service cost has thus increased slightly compared to the prior period.

**(c) Rate and Annual Charges Coverage Ratio**

This ratio is essentially a measure of the extent to which Council is dependent upon revenue from rates and annual charges as compared to its total revenue. For the year ended 30 June 2005, Council's rate and annual charges coverage ratio was 43.61% which compared to 39.56% in 2004 and 43.44% for the 2003 year. Accordingly Council's rate and annual charge revenue as a proportion of its total revenue has increased compared to the prior year.

While it should be remembered the ratio is impacted by the level of capital grants received in a particular year, we recommend that Council continue to investigate options available to increase its revenue base from sources other than rates and annual charges.

**Internally Restricted Assets**

Council sets aside in the form of specific cash or investments amounts to cover future expenditure that is considered necessary for efficient long term operations. This cash is restricted for use only on the specific purposes designated. It does not include restrictions on unexpended grant income or section 94 contributions, as these are provided for separately. Internal restrictions relate to expenditure on such items as leave entitlements, economic development, and asset replacement. At 30 June 2005, Council had internally restricted assets totalling \$13,304,000 compared to \$13,147,000 at 30 June 2004.

**Statement of Cash Flows**

*Cash flows from operating activities*

Net cash provided from operating activities amounted to \$12,209,000 in 2005 compared to \$17,535,000 for the previous year.

The increase in cash flows from operating activities is mainly attributable to the increase in receipts from Rates and Annual charges of \$1,468,000, Interest of \$452,000 and Other Income of \$504,000 offset by higher payments for Employee Costs of \$1,269,000, Materials and Contracts of \$4,174,000 and reductions in receipts from User Charges and Fees of \$1,088,000 and Grants and Contributions of \$818,000. The factors impacting on the movements are outlined in the commentary on the Statement of Financial Performance.

*Cash flows from investing activities*

Net cash used in investing activities amounted to \$15,235,000 for the year ended 30 June 2005, compared to \$18,028,000 for the previous year.

The majority was mainly spent on the purchase of investments and the acquisition of property, plant and equipment which related mainly to the construction of roads, bridges, footpaths and drainage infrastructure. However, this expenditure was offset to a degree from additional cash proceeds generated from the sale of property, plant and equipment.

*Cash flows from financing activities*

Net cash provided by financing activities amounted to \$2,630,000 for the year ended 30 June 2005 compared to \$727,000 net cash provided in the previous year.

The increase compared to the prior year is due to a higher level of borrowings drawn down in the current year of \$3,855,000 compared to \$1,905,000 in the prior year.

**Management Letter**

A management letter highlighting matters arising from our audit covering internal controls and other accounting matters will be prepared where it is considered necessary or appropriate and issued to the General Manager. Should a letter be issued any matters raised are not of a nature that is significant in arriving at our audit opinion.

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager, Group Manager Finance and Administration, Manager of Accounting Services and their staff for the co-operation and courtesy extended to us during the course of our visit to Council's office.



PricewaterhouseCoopers



W M Russell  
Partner

Newcastle  
18 October 2005