

Port Macquarie - Hastings Council

General Purpose Financial Report for the year ended 30 June 2006

Contents

	Page
General purpose financial report	
Statement by Councillors and Management	1
Income statement	2
Balance sheet	3
Statement of changes in equity	4
Cash flow statement	5
Notes to the financial statements	6
Auditors' reports	

This financial report is a general purpose financial report of Port Macquarie-Hastings Council and its controlled entities and is presented in Australian currency.

Port Macquarie-Hastings Council is constituted under the Local Government Act (1993) and has its principal place of business at:

Port Macquarie-Hastings Council
Cnr Lord & Burrawan Streets
PORT MACQUARIE NSW 2444.

The financial report was authorised for issue by the Council on 28 August 2006. Council has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, financial reports and other information are available on our website: www.pmhc.nsw.gov.au

Port Macquarie - Hastings Council

**General Purpose Financial Report
for the year ended 30 June 2006**

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

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

- * The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- * The Australian Accounting Standards and professional pronouncements.
- * The Financial Statement Guidelines for NSW Councils

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 28 August 2006




Rob Drew
Mayor



Councillor



Berherd Smith
General Manager



Kerrie Avery
Responsible Accounting Officer

Port Macquarie - Hastings Council

**Income Statement
for the year ended 30 June 2006**

Original Budget 2006 \$'000		Notes	Actual 2006 \$'000	Actual 2005 \$'000
	Revenue from continuing operations			
48,473	Rates and annual charges	3a	46,855	45,192
16,014	User charges and fees	3b	16,971	14,774
4,982	Interest and investment revenues	3c	6,372	7,157
9,757	Grants and contributions provided for operating purposes	3e,f	10,945	10,634
19,279	Grants and contributions provided for capital purposes	3e,f	24,311	32,993
1,860	Net gain from the disposal of assets	5		178
1,774	Other revenues	3d	2,290	8,038
102,139	Total revenues from continuing operations		107,744	118,966
	Expenses from continuing operations			
24,644	Employee benefits and on-costs	4a	28,745	24,161
2,301	Borrowing costs	4b	1,790	1,447
26,090	Materials and contracts	4c	27,652	24,620
18,691	Depreciation & amortisation	4d	19,786	19,509
	Net loss from disposal of assets	5	9,487	
5,514	Other expenses	4e	5,609	5,263
77,240	Total expenses from continuing operations		93,069	75,000
24,899	Operating result from continuing operations		14,675	43,966
24,899	Net operating result for the year		14,675	43,966
	Attributable to:			
24,899	- Council		14,675	43,966
24,899			14,675	43,966
5,620	Net operating result for the year before grants and contributions provided for capital purposes		-9,636	10,973

The above income statement should be read in conjunction with the accompanying notes

Port Macquarie - Hastings Council

Balance Sheet as at 30 June 2006

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	7,850	5,211
Investments	6b	83,250	59,035
Receivables	7	9,826	9,635
Inventories	8	1,124	1,332
Other	8	685	661
Non-current assets classified as held for sale	23		
Total current assets		102,735	75,874
Non Current Assets			
Investments	6b		36,161
Receivables	7	1,492	1,521
Inventories	8	239	240
Infrastructure, property, plant and equipment	9	823,414	774,717
Investments accounted for using equity method	19		
Investment property	14		
Other	8		
Total non-current assets		825,145	812,639
Total assets		927,880	888,513
LIABILITIES			
Current liabilities			
Payables	10	6,837	5,810
Interest bearing liabilities	10	4,951	3,858
Provisions	10	11,993	10,922
Total current liabilities		23,781	20,590
Non-current liabilities			
Payables	10	9,230	9,218
Interest bearing liabilities	10	44,015	22,283
Provisions	10	492	411
Total non-current liabilities		53,737	31,912
Total liabilities		77,518	52,502
Net assets		850,362	836,011
EQUITY			
Retained earnings		849,345	834,670
Reserves		1,017	1,341
Council equity interest			
Total equity		850,362	836,011

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

Port Macquarie - Hastings Council

**Statement of changes in equity
for the year ended 30 June 2006**

	Notes Ref.	2006 \$'000				2005 \$'000			
		Retained earnings	Asset revaluation reserve	Council equity interest	Total equity	Retained earnings	Asset revaluation reserve	Council equity interest	Total equity
Balance at beginning of the reporting period	20	834,670	1,341	836,011	836,011	790,730	1,341	792,071	792,071
Adjustment on adoption of AASB 132 and AASB 139			392	392	392			0	0
Transfers to/from Asset revaluation reserve			-159	-159	-159			0	0
Net movements recognised directly in equity			-557	-557	-557	-26		-26	-26
Net operating result for the year		14,675		14,675	14,675	43,966		43,966	43,966
Balance at end of the reporting period		849,345	1,017	850,362	850,362	834,670	1,341	836,011	836,011

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Port Macquarie - Hastings Council

Cashflow Statement for the year ended 30 June 2006

Budget 2006 \$'000		Notes	Actual 2006 \$'000	Actual 2005 \$'000
	Cash flows from operating activities			
	Receipts:			
48,429	Rates and annual charges		46,257	44,595
15,954	User charges and fees		16,365	14,862
5,256	Investment revenue and interest		6,540	7,152
31,293	Grants and contributions		20,301	24,128
1,234	Other		5,076	4,569
	Payments:			
-24,179	Employee benefits and on-costs		-27,709	-23,276
-24,128	Materials and contracts		-28,163	-27,060
-2,275	Borrowing Costs		-1,601	-1,433
-5,429	Other		-6,991	-6,716
46,155	Net cash provided (or used in) operating activities	11 (b)	30,075	36,821
	Cash flows from investing activities			
	Receipts:			
17,602	Sale of Investments	6	41,033	
	Sale of investment property			
1,850	Sale of real estate assets	5,8	660	3,517
10	Sale of infrastructure, property, plant and equipment	5	1,647	4,238
	Other		5,836	3,839
	Payments:			
	Purchase of investments		-29,544	-2,995
	Purchase of investment properties			
-83,435	Purchase of infrastructure, property, plant and equipment	8	-69,894	-44,948
	Purchase of real estate			-920
	Other			
-63,973	Net cash provided by (or used in) investing activities		-50,262	-37,269
	Cash flows from financing activities			
	Receipts:			
26,684	Borrowings and advances		26,684	6,600
	Payments:			
-4,432	Borrowings and advances		-3,858	-3,569
22,252	Net cash provided by (or used in) financing activities		22,826	3,031
4,434	Net increase/(decrease) in cash and cash equivalents		2,639	2,583
	Cash and cash equivalents at beginning of reporting period	11(a)	5,211	2,628
4,434	Cash and cash equivalents at end of reporting period	11	7,850	5,211

The above Cash flow statement should be read in conjunction with the accompanying notes.

Port Macquarie - Hastings Council

Notes to the financial statements for the year ended 30 June 2006

Contents of the notes to the financial statements

	Page
Note 1 Summary of significant accounting policies	6
Note 2(a) Functions	14
Note 2(b) Components of functions	15
Note 3 Revenue from continuing operations	16
Note 4 Expenses from continuing operations	21
Note 5 Gain or loss from disposal of assets	23
Note 6(a) Cash and cash equivalents	24
Note 6(b) Investments	25
Note 6(c) Restricted cash, cash equivalents and investments	26
Note 7 Receivables	27
Note 8 Inventories and other assets	28
Note 9(a) Infrastructure, property, plant and equipment	29
Note 9(b) Restricted infrastructure, property, plant and equipment	30
Note 10(a) Payables, interest bearing liabilities and provisions	31
Note 10(b) Description of and movements in provisions	32
Note 11 Reconciliation of cash flow movements	33
Note 12 Commitments for expenditure	35
Note 13 Statement of performance measures	37
Note 14 Investment properties	38
Note 15 Financial instruments	39
Note 16 Budget variations	41
Note 17 Statement of contribution plans	43
Note 18 Contingencies	44
Note 19 Investments accounted for using the Equity Method	45
Note 20 Reserves and retained earnings	46
Note 21 Explanation of transition to Australian equivalents to IFRS	47
Note 22 Tip remediation	55

Port Macquarie - Hastings Council

Note 1 Summary of significant accounting policies for the year ended 30 June 2006

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Port Macquarie-Hastings Council comply with International Financial Reporting Standards (IFRSs).

Application of AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Port Macquarie-Hastings Council financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Port Macquarie-Hastings Council until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Port Macquarie-Hastings Council's 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. Council has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Council's equity and its net income are given in Note 21.

Port Macquarie-Hastings Council is required to comply with AAS27 *Financial Reporting* by Local Government, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

Historical cost convention

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

Critical accounting estimates

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

(b) Revenue recognition

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

Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to priorities established in work schedules.

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

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

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

Note 1 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

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

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

User charges and fees

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

Sale of plant, property, infrastructure and equipment

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

Interest and rents

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- * General purpose operations
- * Water supply
- * Sewerage service
- * Waste management service

Council controls a number of S355 Committees. The majority of the Committees financial figures were consolidated into Councils financial statements at year end, the results of the remainder were not known at balance date, however this is not considered material.

The committees controlled by Council are the following:

- * Beechwood School of Arts
- * Bonny Hills Community Hall
- * Friends of the Court House
- * Lake Cathie Community Hall
- * Lake Cathie Sports Council
- * Laurieton School of Arts
- * Lorne Recreation Centre
- * Mac Adams Music Centre
- * Port Macquarie Senior Citizens
- * Wauchope Rotary Youth Centre
- * Wauchope Senior Citizens Centre

(ii) The Trust Fund

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

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

(d) Leases

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

Note 1 Summary of significant accounting policies (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

(e) Acquisition of assets

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

(g) Cash and equivalents

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

(h) Receivables

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

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables.

(i) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(v) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Non-current assets held for sale

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

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

Note 1 Summary of significant accounting policies (continued)

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

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

(k) Investments and other financial assets

From 1 July 2004 to 30 June 2005

Council has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. Council has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current asset if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held to maturity investments

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

(iv) Available-for-sale financial assets

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

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair value quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Note 1 Summary of significant accounting policies (continued)

Council has an approved investment policy complying with Section 625 of the Local Government Act. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order.

(l) Fair value estimation

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

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

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

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

(m) Infrastructure, property, plant and equipment

All infrastructure, property, plant and equipment [except for investment properties - refer Note 1(n)] is stated at cost (or deemed cost) less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Office equipment	3 to 10 years
Office furniture	3 to 10 years
Vehicles and road making equipment	5 to 12 years
Other plant and equipment	5 to 12 years
Buildings - masonry	50 to 100 years
Buildings - other construction	20 to 40 years
Playground equipment	15 to 25 years
Benches, seats etc	10 to 20 years
Dams and reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation pipes - PVC	50 years
Reticulation pipes - other	80 years
Pumps and telemetry	15 years
Drains	80 to 100 years
Culverts	50 to 80 years
Flood control structures	80 to 100 years
Sealed roads - Surface	50 years
Sealed roads - Structure	100 years
Unsealed roads	30 years
Bridges - Concrete	80 years
Bridges - Other	45 years
Bulk earthworks	infinite

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

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

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

(n) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income. Council did not hold any investment properties at balance date.

Note 1 Summary of significant accounting policies (continued)

(o) Payables

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

(p) Borrowings

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

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

(q) Borrowing costs

Borrowing costs are expensed.

(r) Provisions

Provisions for legal claims and service warranties are recognised when: the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Employee benefits

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

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below). The Local Government Superannuation Scheme has advised that it is unable to provide individual councils with an accurate split of their share of the Scheme's assets and liabilities and so no asset or liability is recognised.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Rounding of amounts

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

(u) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available under AASB 1045.

Note 1 Summary of significant accounting policies (continued)

(v) Provisions for close down and restoration and for environmental clean up cost - Waste Management Facilities

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of waste management facility operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would effect future financial results.

(w) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(x) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset contains a lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. Council has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. Council will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of Council's current arrangements.

(ii) UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Council does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Council's financial statements;

(iii) AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 and AASB 132]

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. Council has not entered into any financial guarantee contracts and there will be no effect on the Council's financial statements.

Note 1 Summary of significant accounting policies (continued)

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, (iv) AASB 101, AASB 114, AASB 133, AASB, 139, AASB 1, AASB 4, AASB 1023, & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Council has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in the financial instruments.

(v) UIG 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. Council has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. This interpretation will not affect the Council's financial statements.

(vi) AASB 2005-6 Amendments to Australian Accounting Standards [AASB 121]

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Council does not have any monetary items forming part of a net investment in a foreign operation. The amendment of AASB 121 will therefore have no impact on the financial statements.

(y) Land

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

Port Macquarie - Hastings Council

**Note 2(a) Functions
for the year ended 30 June 2006**

Revenues, expenses and assets have been directly attributed to the following functions/activities. Details of those focus areas are provided.													
Functions/Activities	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Original Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Functions/Activities													
Governance	31	22	2,188	2,153	2,569	2,188	-2,153	-2,538	-2,166				
Administration	689	200	834	841	2,210	834	-152	-2,030	-634			26,929	26,196
Public order & safety	1,804	1,333	2,234	2,290	2,524	2,234	-486	-381	-901	417	708	6,737	5,544
Health	80	87	262	298	312	262	-218	-207	-175	106	79	61	21
Community services & education	110	178	1,543	2,018	2,206	1,543	-1,908	-2,048	-1,365	78	237	812	948
Housing & community amenities	12,646	13,619	15,877	15,793	16,971	15,877	-3,147	-3,637	-2,258	872	781	55,495	53,725
Water supplies	18,096	20,038	13,719	11,711	14,186	13,719	6,385	5,852	9,039	4,354	4,272	218,514	201,777
Sewerage services	16,242	14,953	10,475	10,523	12,203	10,475	5,719	2,750	4,617	393	439	156,991	155,642
Recreation & culture	2,324	2,782	7,504	8,999	8,814	7,504	-6,675	-6,600	-4,722	456	634	64,081	52,634
Mining, manufacturing & construction	1,431	1,341	1,573	1,779	1,768	1,573	-348	-427	-154			275	343
Transport & communication	13,006	15,838	15,187	17,251	25,176	15,187	-4,245	-9,338	12,106	2,862	3,696	384,369	378,359
Economic affairs	2,280	2,538	3,604	3,584	4,130	3,604	-1,304	-1,592	-1,499	103	132	13,016	13,324
Total functions & activities	68,708	72,873	86,888	77,240	93,069	75,000	-8,532	-20,196	11,888	9,641	10,978	927,880	888,513
General Purpose Income (1)	33,431	34,871	32,078	33,431	34,871	32,078				7,031	6,723		
Totals	102,139	107,744	118,966	77,240	93,069	75,000	24,899	14,675	43,966	16,672	17,701	927,880	888,513

Note (1) Includes :
 Rates and annual charges
 Non-capital general purpose grants
 Interest and investment revenue

Port Macquarie - Hastings Council

Note 2(b) Components of functions for the year ended 30 June 2006

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

Governance

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

Administration

Costs not otherwise attributed to other functions.

Public order and safety

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

Health

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

Community services and education

Administration, child-care, youth services, other families and children, aged and disabled, Aboriginal services, other community services, education.

Housing and community amenities

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

Water Supplies

Sewerage Services

Recreation and culture

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

Mining, manufacturing and construction

Building control, other

Transport and communications

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

Economic Affairs

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

Port Macquarie - Hastings Council

Note 3 Revenue from continuing operations for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000
(a) Rates and annual charges		
Ordinary Rates		
Residential	19,837	18,000
Farmland	1,629	1,499
Mining	0	0
Business	4,609	4,312
Total ordinary rates	26,075	23,811
Special Rates		
Broadwater Special Rate	61	52
Newtons Special Rate	-23	
Total special rates	38	52
Annual Charges <i>(pursuant to s.496 and s.501)</i>		
Domestic waste management services	6,805	6,353
Water supply	3,449	5,119
Sewerage services	10,079	9,497
Waste management services (not domestic)	409	360
Total annual charges	20,742	21,329
Total rates and annual charges	46,855	45,192

Council has used 2003 valuations provided by the NSW Valuer General in calculating its rates.

Valuations are updated every three years.

Note 3 Revenue from continuing operations (continued)

	Actual 2,006 \$'000	Actual 2,005 \$'000
(b) User charges and fees		
User charges (pursuant to s.502)		
Water supply services	6,874	5,353
Sewerage services	550	568
Waste management services (not domestic)	2,191	2,070
Onsite Effluent	72	71
Total user charges	9,687	8,062
Fees		
Administration	88	111
Aerodrome	1,532	1,319
Animal registration	143	49
Beach permits	19	20
Caravan parks	1,015	906
Certificate income	195	169
Crematorium/cemeteries	882	837
Footpath crossing fees	50	23
Health	20	41
Planning and building	2,069	2,143
Private Works	396	374
RTA charges (State Roads not controlled by Council)		1
s.611	37	34
Section 68 permits	310	326
Sewer connection fees		0
Water meter installations	469	296
Water supply fees	59	63
Total fees	7,284	6,712
Total user charges and fees	16,971	14,774
(c) Interest and Investment revenue		
Overdue rates and charges	232	201
Cash, cash equivalents and Investments:		
- Externally restricted	4,686	5,389
- Internally restricted	1,454	1,567
Total interest and investment revenue	6,372	7,157

Note 3 Revenue from continuing operations (continued)

	Actual 2006 \$'000	Actual 2005 \$'000
(d) Other revenues		
Administration	178	29
Animal Control	22	27
Community services	63	24
Economic affairs	763	394
Fines	172	225
Housing and community amenities	41	60
Information/document sales	72	90
Library charges	99	91
Other revenues (Culvert asset adjustment)		6,470
Public order and safety	6	29
Recreation and cultural facilities	398	52
Rental of council facilities	271	308
Sewerage services	24	45
Transport and communications	50	98
Waste management revenues	90	74
Water supplies	41	22
Total other revenues	2,290	8,038

Note 3 Revenue from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	6,272	5,978		
Pensioners' rates subsidies:				
- General	759	745		
Special purpose				
Pensioners' rate subsidies:				
- Water	335	335		
- Sewer	319	314		
- Domestic waste management	272	273		
Aerodrome			313	
Community services and education	83	162		
Economic affairs	100	206		
Employment and training programmes	78	10		
Health - Noxious plants	106	86		
Housing and community amenities	343	179	99	129
Library	179	129		
Public order and safety	387	357	30	351
Recreation and culture	162	173	56	325
Sewerage services			74	125
Street lighting	84	82		
Transport (3x3, Flood works, Roads to Recovery)	62	71	2,403	3,511
Waste management	112	225	25	
Water supplies			4,019	3,935
Total grants	9,653	9,325	7,019	8,376
Comprising:				
- Commonwealth funding	74	216	2,107	1,590
- State funding	9,573	9,109	4,912	6,786
- Other funding	6			
	9,653	9,325	7,019	8,376
(e) Contributions				
- Section 94	151	299	2,574	5,406
RTA contributions (Regional/Local, Block Grant)	916	892		
Section 64:				
- Water			1,943	3,772
- Sewerage			808	1,733
Contributed assets			10,311	12,814
Administration	36	22	9	
Community services and education	12	6		
Economic affairs	31	18		
Health		3		
Housing and community amenities	36			13
Public order and safety	27		1,373	349
Recreation and culture	81	37	167	20
Sewerage services				32
Street Lighting	2			
Transport and communications		12	107	359
Water supplies		20		119
Total contributions	1,292	1,309	17,292	24,617
Total grants and contributions	10,945	10,634	24,311	32,993

Note 3 Revenue from continuing operations (continued)

	Actual 2006 \$'000	Actual 2005 \$'000
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:		
Grants and contributions recognised in the current period which have not been spent	3,755	12,910
Less:		
Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period	14,041	5,874
Net increase/(decrease) in restricted grants and contributions	-10,286	7,036

Port Macquarie - Hastings Council

Note 4 Expenses from continuing operations for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000
(a) Employee benefits and on costs		
Salaries and wages	24,265	21,528
Travelling	1,206	872
Employee leave entitlements	4,047	3,488
Superannuation	1,915	1,228
Workers' compensation insurance	991	766
Fringe Benefits Tax	139	126
Payroll Tax	501	439
Training costs (excluding Salaries)	222	202
Other	116	110
Less: Capitalised costs	-4,657	-4,598
Total employee costs expensed	28,745	24,161
Number of FTE employees	509	478
(b) Borrowing Costs		
Interest on Overdrafts	1	1
Interest on Loans	1,775	1,433
Amortisation of discounts and premiums:		
- Tip remediation	14	13
Total borrowing costs expensed	1,790	1,447
(c) Materials and contracts		
Raw materials and consumables	17,664	15,129
Contractor and consultancy costs	7,163	6,678
- Domestic waste management contract	2,550	2,564
Audit Fees:		
- Audit services	43	39
- Other	5	4
Legal fees:		
- Planning and development	21	47
- Other	206	159
Operating Leases:		
- Survey equipment		
Total materials and contracts	27,652	24,620

Note 4 Expenses from continuing operations (continued)

	Actual 2006 \$'000	Actual 2005 \$'000
(d) Depreciation, amortisation and impairment		
Plant and equipment	2,066	2,022
Office equipment	1,234	976
Furniture & fittings	116	100
Leased property, plant and equipment	3	3
Land Improvements (depreciable)	609	615
Buildings	1,063	989
Other Structures	365	292
Infrastructure:		
- roads, bridges and footpaths	7,506	7,447
- storm water drainage	795	778
- water supply network	2,860	3,218
- sewerage network	2,801	2,760
Other Assets:		
- heritage collections	6	5
- library books	298	251
- other	51	40
Tip asset	13	13
Total depreciation	19,786	19,509
(e) Other expenses		
Mayoral fee	28	28
Councillors' fees	116	113
Councillors' (incl Mayor) expenses	117	119
Insurance	961	970
Street lighting	985	864
Electricity and heating	1,743	1,774
Telephone	736	651
Contributions and donations	431	254
Bank charges and fees	198	151
Valuation fees	112	110
Payment to other Levels of Government	182	229
Total Other Expenses	5,609	5,263

Port Macquarie - Hastings Council

**Note 5 Gain of loss from disposal of assets
for the year ended 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	6	15
Less: Carrying amount of assets sold	997	51
Gain (or loss) on disposal	-991	-36
Gain (or loss) on disposal of Plant and Equipment		
Proceeds from disposal	1,641	4,223
Less: Carrying amount of assets sold	2,049	4,202
Gain (or loss) on disposal	-408	21
Gain (or loss) on disposal of Real Estate assets held for sale		
Proceeds from disposal	660	3,517
Less: Carrying amount of assets sold	312	1,299
Gain (or loss) on disposal	348	2,218
Gain (or loss) on disposal of Infrastructure Assets		
Proceeds from disposal		
Less: Carrying amount of financial assets	8,436	2,025
Gain (or loss) on disposal	-8,436	-2,025
Net gain (or loss) from disposal of assets	-9,487	178

Port Macquarie - Hastings Council

**Note 6(a) Cash and Cash equivalents
for the year ended 30 June 2006**

Cash at bank and on hand
Deposits at call

Actual 2006 \$'000	Actual 2005 \$'000
370	395
7,480	4,816
7,850	5,211

Port Macquarie - Hastings Council

Note 6(b) Investments for the year ended 30 June 2006

The following financial assets are held as investments

	Actual 2006		Actual 2005	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Financial assets at fair value through Profit and Loss	24,877		7,333	
Held to maturity investments				
Available for sale financial assets	58,373		51,702	36,161
Total	83,250		59,035	36,161
Financial assets at fair value through Profit and Loss				
At beginning of year	7,333			
Adjustment on adoption of AASB132 & 139				
Revaluation to Income statement				
Additions	17,544			
Disposals (Sale/Redemption)				
At end of year	24,877			
Available for sale financial assets				
At beginning of year	87,863			
Adjustment on adoption of AASB132 & 139	392			
Additions	12,000			
Disposals (Sale/Redemption)	-41,325			
Revaluation adjustment to equity	-557			
At end of year	58,373			
Comprising of:				
- Unlisted equity securities	51,022			
- Other	7,351			
	58,373			

Port Macquarie - Hastings Council

**Note 6(c) Restricted cash, cash equivalents and investments
for the year ended 30 June 2006**

	Actual 2006		Actual 2005	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	91,100	0	64,246	36,161
External restrictions	64,685		46,529	31,623
Internal restrictions	26,334		16,997	4,538
Unrestricted	81		720	
	91,100	0	64,246	36,161

Notes	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
External Restrictions				
Developer Contributions (A)	49,591	8,899	18,766	39,724
Unexpended Contributions (B)	535	45	464	116
Unexpended Grants (C)	1,898	2,330	1,593	2,635
Water (D)	2,223	6,389	2,765	5,847
Sewerage (E)	23,247	1,947	9,638	15,556
Broadwater Special Rate (F)	227	77	2	302
Newtons Special Rate (G)	2	2		4
Domestic Waste Management (H)	4			4
Caravan Parks (I)	425	155	83	497
Total external restrictions	78,152	19,844	33,311	64,685

(A) Developer contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (see Note 17)

(B) Contributions which are not yet expended for the purposes for which they were obtained (see Note 3g)

(C) Grants which are not yet expended for the purposes for which they were obtained (see Note 3g)

(D-H) Water, Sewerage, Broadwater Special Rate, Newtons Special Rate and Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.

(I) Caravan parks funds are externally restricted assets and must be applied to the parks where the funds were raised.

		Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
Internal Restrictions					
4WD Beach Access	6(a)		19		19
Aerodrome	6(a)	1,976	745	91	2,630
Canal Maintenance	6(a)	199	35		234
CBD Townscape	6(a)	947	944	673	1,218
Committed Works	6(a)	6,092	16,497	10,739	11,850
Crematorium	6(a)	399	77	106	370
Dividend	6(a)	1,591		904	687
Employee Leave Entitlements	6(a)	2,768	255	2,196	827
Environmental Levy	6(a)	540	509	595	454
Ferry Replacement	6(a)	1,472	478		1,950
Lake Cathie Dredging	6(a)	115	11	105	21
Major Building	6(a)	866	383	263	986
Office Building & Equipment	6(a)	1,020	1,723	1,688	1,055
Natural Resources	6(a)	24	393	208	209
Plant Replacement	6(a)	107	2,600	1,804	903
Property	6(a)	1,523		498	1,025
Timbertown	6(a)		4	19	-15
Tourism & Industry Promotion	6(a)	261	10	27	244
Town Bands	6(a)	3	7		10
Working Capital	6(a)	1,632	1,411	1,386	1,657
Total Internal Restrictions		21,535	26,101	21,302	26,334
Total Restrictions		99,687	45,945	54,613	91,019

Port Macquarie - Hastings Council

Note 7 Receivables for the year ended 30 June 2006

Purpose	Actual 2006		Actual 2005	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and annual charges	2,224	809	1,615	819
Interest and extra charges	105	291	101	279
User charges and fees	2,603	368	1,572	165
Accrued revenues	451		635	
GST Receivable	906		1,047	
Government grants and subsidies	3,537		4,229	
Other	67	24	543	258
Total	9,893	1,492	9,742	1,521
Less: Provision for doubtful debts				
Rates and annual charges	22		27	
User charges and fees	45		80	
	67		107	
Total	9,826	1,492	9,635	1,521
Restricted receivables				
Externally restricted receivables				
Water Supply	4,202	194	4,265	206
Sewerage Services	1,989	273	2,023	251
Domestic waste management	392	211	370	224
Newton special rate			27	
Broadwater special rate	1	1		
Total externally restricted receivables	6,584	679	6,685	681
Unrestricted receivables	3,242	813	2,950	840
Total receivables	9,826	1,492	9,635	1,521

Port Macquarie - Hastings Council

**Note 8 Inventories and other assets
for the year ended 30 June 2006**

	Actual 2006		Actual 2005	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
Real estate (refer below)	545	239	723	240
Stores and materials	579		609	
Total	1,124	239	1,332	240
Other assets				
Prepayments	685		661	
Total	685		661	
Real Estate Development				
Residential		71		72
Industrial/Commercial	545	20	708	20
Other properties		148	15	148
Total real estate for resale	545	239	723	240
<i>(Valued at the lower of cost and net realisable value)</i>				
Represented by:				
Acquisition costs				
Development costs	545	239	723	240
Total real estate for resale	545	239	723	240

Externally restricted inventories and other assets

	Actual 2006		Actual 2005	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Water				
Inventories	324		341	
Total Water	324		341	
Sewerage				
Inventories	15		11	
Total Sewerage	15		11	
Total externally restricted inventories and other assets	339		352	
Unrestricted inventories and other assets	1,470	239	1,641	240
Total inventories and other assets	1,809	239	1,993	240

Port Macquarie - Hastings Council

Note 9(a) Infrastructure, property, plant and equipment for the year ended 30 June 2006

By Asset Type	At 30 June 2005				Movements during year						At 30 June 2006			
	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	Additions \$'000	WDV of Disposals \$'000	Depn and impairment \$'000	Transfers/ Adjustments \$'000	Revaluation increments/(decrements) \$'000	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	
Plant and equipment	22,198		10,276	11,922	4,315	2,049	2,066			23,569		11,447	12,122	
Office equipment	8,220		5,633	2,587	1,534	21	1,234			9,547		6,681	2,866	
Furniture and fittings	1,677		1,080	597	368	4	116			2,011		1,166	845	
Leased plant and equipment	286		23	263			3			286		26	260	
Land														
- Operational Land	29,806			29,806	11,414					41,220			41,220	
- Community Land	9,377			9,377	261					9,638			9,638	
- Non depreciable land improvements	1,090			1,090						1,090			1,090	
Land Improvements - depreciable	24,877		11,137	13,740	2,461		609			27,290		11,698	15,592	
Buildings	47,335		18,658	28,677	4,830	916	1,063			49,095		17,567	31,528	
Other Structures	12,918		4,321	8,597	844	56	365			13,642		4,622	9,020	
Infrastructure														
- Roads, bridges, footpaths	405,631		54,605	351,026	17,243	8,266	7,506			412,090		59,593	352,497	
- Stormwater Drainage	40,462		5,321	35,141	884		795			41,346		6,116	35,230	
- Water Supply Network	243,942		63,005	180,937	24,670	170	2,860			268,104		65,527	202,577	
- Sewerage Network	147,800		48,856	98,944	10,643		2,801			158,443		51,657	106,786	
Other Assets														
- Heritage Collections	515		118	397			6			515		124	391	
- Library Books	2,943		2,294	649	242		298			3,185		2,592	593	
- Other	1,114		357	757	256		51			1,370		408	962	
Tip Asset				210			13			223		26	197	
Totals	1,000,191		225,664	774,717	79,965	11,482	19,786			1,062,664		239,250	823,414	

Note 9(b) Restricted infrastructure, property, plant and equipment for the year ended 30 June 2006

By Asset Type	At 30 June 2006				At 30 June 2005			
	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000
Water Supply								
Plant and equipment	16		16		16		14	2
Land								
- Operational Land	2,201			2,201	2,196			2,196
Buildings	247		150	97	249		143	106
Water Supply Infrastructure	268,104		65,527	202,577	243,942		63,005	180,937
Total water supply	270,568		65,693	204,875	246,403		63,162	183,241
Sewerage Services								
Plant and equipment	608		208	400	441		160	281
Office equipment	97		69	28	97		65	32
Land								
- Operational Land	3,312			3,312	3,908			3,908
Buildings	2,408		815	1,593	2,407		775	1,632
Sewerage Infrastructure	158,443		51,658	106,785	147,800		48,856	98,944
Total sewerage services	164,868		52,750	112,118	154,653		49,856	104,797
Domestic Waste Management								
Plant and equipment	208		73	135	208		51	157
Office equipment	23		23		23		23	
Furniture and fittings	35		16	19	35		12	23
Land								
- Operational Land	2,915			2,915	2,131			2,131
Land Improvements - non-depreciable	289			289	289			289
Land Improvements - depreciable	3,423		730	2,693	3,423		559	2,864
Buildings	406		81	325	365		69	296
Other Structures	968		90	878	394		68	326
Other	239		52	187	179		39	140
Cairncross Tip Asset	223		26	197	210			210
Total Domestic Waste	8,729		1,091	7,638	7,257		821	6,436
Total Restrictions	444,165		119,534	324,631	408,313		113,839	294,474

Port Macquarie - Hastings Council

Note 10(a) Payables, interest bearing liabilities and provisions for the year ended 30 June 2006

	Actual 2006		Actual 2005	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Payables				
Goods and services	4,952		4,079	
Payments received in advance	600		683	
Accrued expenses	340		293	
Accrued Interest	323		148	
S64 contributions due to PWD		8,624		8,624
Deposits and retentions	541	606	541	594
Other	81		66	
Total payables	6,837	9,230	5,810	9,218
Interest bearing liabilities				
Loans - Secured (1)	4,951	44,015	3,858	22,283
Total interest bearing liabilities	4,951	44,015	3,858	22,283
Provisions				
Annual leave	2,943		2,634	
Sick leave	3,596		3,303	
Long service leave	5,444	242	4,944	175
Maternity leave	10		41	
Tip remediation (Note 22)		250		236
Total provisions	11,993	492	10,922	411
Liabilities relating to restricted assets				
Domestic waste management	1,763	2,435	1,164	3,201
Water	2,846	18,589	801	8,468
Sewer	1,704	5,952	1,117	7,202
Total	6,313	26,976	3,082	18,871

Note 1 Loans are secured over the rating income of Council

Note 10(b) Description of and movements in provisions for the year ended 30 June 2006

Class of provision	Reductions in provision				
	Opening balance \$'000	Increases in provisions \$'000	Payments \$'000	Re- measurement \$'000	Closing balance \$'000
Annual leave	2,634	1,946	1,637		2,943
Sick leave	3,303	1,057	764		3,596
Long service leave	5,119	1,021	455		5,685
Maternity leave	41	22	53		10
Tip remediation	236	14			250
Total	11,333	4,060	2,909	0	12,484

Port Macquarie - Hastings Council

Notes to the financial statements

Note 11 Reconciliation of cash flow movements for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	7,850	5,211
Less: Bank overdraft	10	0	0
Balances as per cash flow statement		7,850	5,211
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		14,675	43,966
			-6,470
Add:			
Depreciation and impairment		19,786	19,509
Increase in provision for leave entitlements		1,138	974
Decrease in inventories		30	
Increase in payables		864	651
Increase in accrued interest payable		175	
Loss on sale of assets		9,487	
Other		14	13
		46,169	58,643
Less:			
Decrease in provision for doubtful debts		40	2
Increase in receivables		122	3,738
Increase in inventories			257
Increase in other current assets		24	31
Non cash capital grants and contributions		15,907	17,616
Gain on sale of assets			178
Net cash provided from (or used in) operating activities from Cash flow statement		30,076	36,821

**Note 11 Reconciliation of cash flow movements (continued)
for the year ended 30 June 2006**

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
(c) Non-cash financing and investing activities			
PWD construction	6a	4,093	4,060
Bushfire grants		105	392
S94 contributions in kind			
Dedications		10,312	13,163
Other		1,397	
		15,907	17,615
(d) Financing arrangements			
Unrestricted access was available at balance date to the following:			
Bank overdraft facility (1)		500	500
Purchase Cards		300	250
Corporate Credit Cards		90	90
		890	840

Notes:

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Note 12 Commitments for Expenditure
for the year ended 30 June 2006**

(a) Capital commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

- Buildings
- Infrastructure
- Land
- Plant and equipment

Total

These expenditures are payable as follows:

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

Total

(b) Service commitments

Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:

- Audit Services
- Garbage and recycling services
- Cleaning and maintenance services
- Other

Total

These expenditures are payable as follows:

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

Total

	Actual 2006 \$'000	Actual 2005 \$'000
	4,263	19,158
	14,103	1,529
	310	
	758	146
Total	19,434	20,833
	16,593	20,833
	2,841	
Total	19,434	20,833
	42	102
	30,575	17,975
	270	1,797
	3,217	
Total	34,104	19,874
	7,612	6,002
	20,669	10,856
	5,823	3,016
Total	34,104	19,874

Note 12 Commitments for Expenditure (continued)

(c) Operating Lease commitments

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

Total

(d) Remuneration commitments

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

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

Total

Actual 2006 \$'000	Actual 2005 \$'000
16	
44	
60	0
209	
566	
775	0

**Note 13 Statement of performance measures
for the year ended 30 June 2006**

	Amounts	Current year indicators	2005	2004	2003
1. Current ratio					
Factors					
Current assets	102,735	4.32 :1	3.68:1	5.77:1	3.86:1
Current liabilities	23,781				
2. Unrestricted current ratio					
Factors					
Current assets less all external restrictions (1)	31,127	2.79 :1	2.34:1	2.17:1	1.81:1
Current liabilities less specific purpose liabilities (2)	11,139				
3. Debt service ratio					
Factors					
Debt Service Cost	5,634	7.07%	6.61%	7.91%	8.82%
Revenue from continuing operational excluding capital items and specific purpose grants/contributions	79,670				
4. Rate coverage ratio					
Factors					
Rates and annual charges	46,855	43.49%	40.17%	42.65%	40.13%
Revenue for continuing operations	107,744				
4. Rates and annual charges outstanding percentage					
Factors					
Rates and annual charges outstanding	3,407	6.83%	5.85%	4.85%	5.58%
Rates and annual charges collectible	49,874				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

**Note 14 Investment properties
for the year ended 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
At fair value		
Opening balance at 1 July		
Acquisitions		
Capitalised subsequent expenditure		
Classified as held for sale or disposals		
Net gain (loss) from fair value adjustment		
Treansfer (to) from inventories and owner occupied property		
Closing balance at 30 June	0	0
(a) Amounts recognised in profit and loss for investment property		
Rental income		
Net gain (loss) from fair value adjustment		
Direct operating expenses from property that generated rental income		
Direct operating expenses from property that did not generate rental income		
	0	0
(b) Valuation basis		
<p>The basis for valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2006 revaluations were based on independent assessments made by a member of the Australian Property Institute.</p>		
(c) Contractual obligations		
<p>Refer to note 12 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.</p>		
(d) Leasing arrangements		
<p>The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows.</p>		
(c) Operating Lease commitments		
<p>Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows.</p>		
<p>Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:</p>		
- Within one year		
- Later than one year and not later than 5 years		
- Later than 5 years		
Total	0	0

**Note 15 Financial instruments
for the year ended 30 June 2006**

(a) Interest rate risk exposure

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 until maturity.

2006	Notes	Fixed Interest maturing in:							Non interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	Less that or equal to 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 - 5 years \$'000	Greater than 5 years \$'000		
Financial Assets										
Cash and cash equivalents	6	7,719							131	7,850
Investments	6	24,877	58,373							83,250
Receivables	7		5,161						6,224	11,385
Other financial assets										0
Total		32,596	63,534	0	0	0	0	0	6,355	102,485
Weighted average interest rate		4.8%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%
Financial Liabilities										
Payables	10								16,067	16,067
Other financial liabilities										0
Interest bearing liabilities	10		33,407	888	1,633	995	552	11,491		48,966
Total		0	33,407	888	1,633	995	552	11,491	16,067	65,033
Weighted average interest rate		0.0%	6.0%	9.7%	19.5%	13.5%	6.3%	6.5%	0.0%	6.3%
Net financial assets/(liabilities)		32,596	30,127	-888	-1,633	-995	-552	-11,491	-9,712	37,452

2005	Notes	Fixed Interest maturing in:							Non interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	Less that or equal to 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 - 5 years \$'000	Greater than 5 years \$'000		
Financial Assets										
Cash and cash equivalents	6	3,493							109	3,602
Investments	6	8,942	87,863							96,805
Receivables	7		3,823						7,333	11,156
Other financial assets										0
Total		12,435	91,686	0	0	0	0	0	7,442	111,563
Weighted average interest rate		6.6%	7.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial Liabilities										
Payables	10								15,028	15,028
Other financial liabilities										0
Interest bearing liabilities	10		7,876	624	1,317	2,110	1,202	13,012		26,141
Total		0	7,876	624	1,317	2,110	1,202	13,012	15,028	41,169
Weighted average interest rate		0.0%	5.7%	4.4%	6.6%	11.6%	7.5%	6.6%	0.0%	6.6%
Net financial assets/(liabilities)		12,435	83,810	-624	-1,317	-2,110	-1,202	-13,012	-7,586	70,394

Port Macquarie - Hastings Council

Note 15 Financial instruments (continued) for the year ended 30 June 2006

(b) Net fair value

The aggregate net fair values of Council's financial assets and financial liabilities are detailed as follows:

	Actual 2006		Actual 2005	
	Carrying amount \$'000	Aggregate net fair value \$'000	Carrying amount \$'000	Aggregate net fair value \$'000
Financial Assets				
Cash and cash equivalents	7,850	7,850	5,211	5,211
Investments	83,573	83,250	95,196	95,588
Receivables	11,385	11,385	11,156	11,156
Other financial assets				
Total	102,808	102,485	111,563	111,955
Financial Liabilities				
Payables	16,067	16,067	15,028	15,028
Interest bearing liabilities	48,966	48,966	26,141	26,141
Other financial liabilities				
Total	65,033	65,033	41,169	41,169

(c) Credit Risk

The credit risk of financial assets, excluding investments, is the carrying amount net of any provision for doubtful debts.

Council has an investment policy which seeks to minimise the risk of capital loss. Investments are placed in accordance with the Local Government Investment Order which restricts investments to securities carrying a credit rating of 'A' for better.

Debtors for rates and annual charges are secured by a charge over the land to which it relates.

There are no significant concentrations of credit risk to any single debtor or group of debtors.

(d) Policies

Accounting policies in respect to financial assets and liabilities are described in Note 1.

(e) Terms and conditions

Terms and conditions associated with financial assets and financial liabilities which may significantly affect the amount, timing and certainty of future cash flows are set out below:

(i) Investments - Certain investments are 'Capital Guaranteed' if Council holds the investment until maturity. Should Council wish to redeem the investment before that time, then there is a risk that the capital may not be fully recouped. Council holds \$12.5m in investments that are subject to these conditions.

**Note 16 Budget Variations
for the year ended 30 June 2006**

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 30 June 2005. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by Council. Material variations of more than 10% are explored below:

Revenues

1. Interest and investment revenues

Investments revenues exceeded budget by \$1,390K (F) (27.9%). This can be attributed to increased investment revenues due to earlier borrowings of funds than expected. In addition, Council's average return on investment exceeded benchmark returns.

2. Grants and contributions provided for operating purposes

Actual amounts of grants and contributions received for operating purposes were over budget by some \$1,188K (F) 12.18%. Variations in amounts received in grant funds are detailed below. Some of these variances are due to decisions made by Federal and/or State governments after the original budget was adopted.

* Pensioner Rates Subsidies	\$40K (U)
* Financial Assistance Grants	\$173K (F)
* Library Grants	\$49K (F)
* Economic Affairs Grant	\$100K (F)
* Waste Management Grant	\$112K (F)
* Fire Control Grants	\$102K (F)
* Housing & Community Amenities Grants	\$334K (F)
* Recreation & Cultural Grants	\$132K (F)
* Recreation & Cultural Contribution	\$73K (F)

3. Grants and contributions provided for capital purposes

Actual amounts of grants and contributions received for capital purposes were over budget by some \$5,032K (F) 26.10%. Variations in amounts received in capital grants are detailed below. Some of the variations are due to decisions made by Federal and/or State governments after the original budget was adopted.

* Water Supply Grants	\$2,919 (F)
* Aerodrome Grant	\$313 (F)
* Asset Dedications	\$5,709 (F)
* Contribution towards the purchase of Holy Trinity Church	\$75 (F)

Variations also occurred in the level of developer contributions by some \$3,704K (U). This is primarily due to a downturn in the property market.

4. Other Revenues

Other revenues were over budget by some \$516K (F). This is primarily due to compensation received from an engineer for works carried out on a Velodrome.

Note 16 Budget Variations (continued)

Expenses

5. Employee benefits and on-costs

Employee benefits and on-costs were over budget by \$4,101K (U). The reasons for this variation are detailed below.

The employee leave entitlement accrual was over budget by \$847K (U). This variance is made up of increased leave taken over the previous year along with additional staff appointments.

Workers Compensation was over original budget by \$231K (U). This is due to the overall workers compensation market and industry weighting factors.

Travelling costs are over original budget by \$489K (U). This is due to an increase in plant hire charges during the year to cover increased costs such as fuel.

The majority of the remaining over-expenditure was due to increased maintenance works on parks and gardens being undertaken due to the season. These salaries and wages were budgeted to be spent against capital items.

6. Borrowing Costs

The variation of \$511K (22.21%) (F) can be attributed to reduced interest expenses as rates on variable borrowings were lower than anticipated.

7. Net gain on disposal of Assets

Council budgeted for a gain on disposal of assets of \$1,860K but actually incurred a loss of \$9,497K. This was primarily due to the larger than expected write off of infrastructure assets.

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

Port Macquarie - Hastings Council

**Note 17 Statement of contribution plans
for the year ended 30 June 2006**

(a) Summary of contributions

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from (3) \$'000	Held as restricted asset (2) \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	5,756	1,175		460	3,333		4,058			
Parking	1,456	23		107	1,070		516			
Open Space	1,949	843		169	2,128		833			
Community Facilities	909	244		75			1,228			
Other	1,754	266		140	172		1,988			
Administration Levy		151			151					
S94 under plans	11,824	2,702		951	6,854		8,623			
S94 not under plans	926	23		69	220		798			
S94A levies										
Planning agreements										
Section 64	36,841	2,751		2,403	11,692		30,303			
Totals	49,591	5,476		3,423	18,766		39,724			

Notes:

(1) Reconcilable with Note 3

(2) Reconcilable with Note 6 (Restricted assets excludes 'amounts expended in advance')

(3) Borrowing within and between plans - Note: General Fund Expenditure in Advance of Contributions is not to be shown here.

(b) Contributions under plans

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from (4) \$'000	Held as restricted asset (2) \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	5,756	1,175		460	3,333		4,058			
Parking	1,456	23		107	1,070		516			
Open Space	1,949	843		169	2,128		833			
Community Facilities	909	244		75			1,228			
Other	1,754	266		140	172		1,988			
Administration Levy		151			151					
Totals	11,824	2,702		951	6,854		8,623			

(b) Contributions not under plans

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from (4) \$'000	Held as restricted asset (2) \$'000	Projected future contributions \$'000	Projected cost of works still outstanding \$'000	Projected over/under funding \$'000
		Cash \$'000	Non cash \$'000							
Roads	348	16		26	26		364			
Parking										
Open Space	412	7		31	194		256			
Community Facilities	166			12			178			
Other										
Totals	926	23		69	220		798			

**Note 18 Contingencies
for the year ended 30 June 2006**

Contingent liabilities

Council has been named as defendant in two actions regarding an alleged breach of the National Parks and Wildlife Act and the Fisheries Management Act at Partridge Creek. This action has gone to appeal and the outcome is not known at this stage.

Council has compulsorily acquired a number of properties previously known as the Ritz Arcade for the future construction of the Arts, Cultural and Entertainment Centre. The compensation payable for four of the lots remains in dispute. At this stage it is unknown as to how much compensation will be payable by Council for the remaining lots. To date Council has paid 90% of the amount determined by valuation.

Council has compulsorily acquired land at Kew for the Kew Waste Transfer Station. The valuer general determined the amount of the compensation payable to the owners under Section 55 of the Land Acquisition (Just Terms Compensation) Act. In accordance with the requirements of the Act the owners have been paid 90% of the amount determined. The owners are dissatisfied with the compensation amount and have commenced proceedings in the Land & Environment Court. The final amount that will be paid in compensation is undetermined at this stage.

The previous operators of three of the olympic pools in the Port Macquarie-Hastings area have lodged claims in the Chief Industrial Magistrates Court in respect of allegations of underpayment of entitlements. This dispute has not been settled and the amount that may be payable is unknown at balance date.

**Note 19 Investments accounted for using the Equity Method
for the year ended 30 June 2006**

Joint Venture Partnership

	Actual 2006 \$'000	Actual 2005 \$'000
Carrying amount of investment in partnership	0	0
Share in partnership's asset and liabilities		
Current assets		
Non-current assets		
Total Assets	0	0
Current liabilities		
Non-current liabilities		
Total liabilities	0	0
Net assets	0	0
Share of partnership's commitments		
Lease commitments		
Other commitments (other than for the supply of inventories)		
Total expenditure commitments	0	0
Capital commitments	0	0
Contingent liabilities relating to joint ventures		
Nil		

**Note 20 Reserves and retained earnings
for the year ended 30 June 2006**

Notes	Actual 2006 \$'000	Actual 2005 \$'000
(a) Reserves		
Infrastructure, property, plant and equipment revaluation reserve	1,341	1,341
Available-for-sale investments revaluation reserve	-324	
Movements		
Infrastructure, property, plant and equipment revaluation reserve		
At beginning of year		
Revaluation - gross		
Depreciation transfer - gross		
At end of year	1,017	1,341
Available-for-sale investments revaluation reserve		
At beginning of year		
Revaluation - gross	324	
Depreciation transfer - gross		
At end of year	324	0
(b) Retained earnings		
Movements in retained earnings were as follows:		
At beginning of year	834,670	790,704
Adjustment on adoption of ASSB 132 and AASB 139		
Net operating result for the year	14,675	43,966
At end of year	849,345	834,670

(c) Nature and purpose of reserves

(i) Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets

(ii) Available-for-sale investments revaluation reserve

Changes in fair value are taken to the available-for-sale investments revaluation reserve, as described in note 1(k). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs as at 30 June 2006

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IRFSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current Assets				
Cash and cash equivalents				
Investments				
Receivables				
Inventories				
Other				
Non-current assets classified as held for sale				
Total current assets		0	0	0
Non Current Assets				
Investments				
Receivables				
Inventories				
Infrastructure, property, plant and equipment	1	735,340	223	735,563
Investments accounted for using equity method				
Investment property				
Other				
Total non-current assets		735,340	223	735,563
Total assets		735,340	223	735,563
LIABILITIES				
Current liabilities				
Bank Overdraft				
Payables				
Interest bearing liabilities				
Provisions	2		7,344	7,344
Total current liabilities		0	7,344	7,344
Non-current liabilities				
Payables				
Interest bearing liabilities				
Provisions	3	7,485	-7,121	364
Total non-current liabilities		7,485	-7,121	364
Total liabilities		7,485	223	7,708
Net assets		727,855	0	727,855
EQUITY				
Retained earnings				
Reserves				
Council equity interest				
Total equity		0	0	0

Note: All other assets and liabilities remain unchanged

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs (continued) as at 30 June 2006

Notes to the reconciliation

1 Infrastructure, property plant and equipment

Increased by \$222,818 being Tip asset recognised on calculation of tip remediation provision:

(a)	DR	IPPE - Tip Asset	222,818	
	CR	Provision for Tip Remediation		222,818

2 Provisions (Current)

Increased by \$7,344,369 being the transfer of ELE from non-current to current representing the requirement to show liabilities as current where there is no unconditional right to defer payment beyond 12 months.

ie.	DR	Non-current	7,344,369	
	CR	Current provisions - ELE		7,344,369

3 Provisions (Non-current)

- (a) Increased by \$222,818 being the recognition of the remediation provision for Council's Cairncross tip as described in 1(a) above
- (b) Reduced by \$7,344,369 due to change in definitions described in 2 above.

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs as at 30 June 2006

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current Assets				
Cash and cash equivalents				
Investments				
Receivables				
Inventories				
Other				
Non-current assets classified as held for sale				
Total current assets		0	0	0
Non Current Assets				
Investments				
Receivables				
Inventories				
Infrastructure, property, plant and equipment	1	774,507	210	774,717
Investments accounted for using equity method				
Investment property				
Other				
Total non-current assets		774,507	210	774,717
Total assets		774,507	210	774,717
LIABILITIES				
Current liabilities				
Bank Overdraft				
Payables				
Interest bearing liabilities				
Provisions	2	2,960	7,962	10,922
Total current liabilities		2,960	7,962	10,922
Non-current liabilities				
Payables				
Interest bearing liabilities				
Provisions	3	8,137	-7,726	411
Total non-current liabilities		8,137	-7,726	411
Total liabilities		11,097	236	11,333
Net assets		763,410	-26	763,384
EQUITY				
Retained earnings	4	834,696	-26	834,670
Reserves				
Council equity interest				
Total equity		834,696	-26	834,670

Note: All other assets and liabilities remain unchanged

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs (continued)

as at 30 June 2006

Notes to the reconciliation

1 Infrastructure, property plant and equipment

Increased by \$222,818 being Tip asset recognised on calculation of tip remediation provision:

(a)				
	ie. DR	IPPE - Tip Asset	222,818	
		CR	Provision for Tip Remediation	222,818

Reduced by \$13,101 being depreciation of the Cairncross Tip asset \$222,818 @ 5.88%.

(b)				
	ie. DR	Depreciation Expense	13,101	
		CR	IPPE - Accumulated Depreciation	13,101

2 Provisions (Current)

Increased by \$7,962,288 being the transfer of ELE from non-current to current representing the requirement to show liabilities as current where there is no unconditional right to defer payment beyond 12 months.

	ie. DR	Non-current provisions - ELE	7,962,228	
		CR	Current provisions - ELE	7,962,228

3 Provisions (Non-current)

(a) Increased by \$222,818 being the recognition of the remediation provision for Council's Cairncross tip as described in 1(a) above.

(b) Increased by \$13,369 being the amortisation of the discount calculated on the provision for tip remediation \$222,818 @ 6% for 2005:

	ie. DR	Income Statement - Borrowing Costs - Amortisation of Tip discount	13,369	
		CR	Provision for Tip Remediation	13,369

(c) Reduced by \$7,962,288 due to change in definitions described in 2 above.

4 Retained Earnings

(a) Reduced by \$13,101 being depreciation of the Cairncross Tip Asset as described in 1(b) above.

(b) Reduced by \$13,369 being the borrowing cost associated with amortisation of the discount on Cairncross tip remediation as described in 2(b) above.

Port Macquarie - Hastings Council

Income Statement for the year ended 30 June 2006

(2) Reconciliation of operating result under previous AGAAP to operating result under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of operating result for the year ended 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue from continuing operations				
Rates and annual charges				0
User charges and fees				0
Interest and investment revenues				0
Grants and contributions provided for operating purposes				0
Grants and contributions provided for capital purposes				0
Net gain from the disposal of assets				0
Other revenues				0
Total revenues from continuing operations		0	0	0
Expenses from continuing operations				
Employee benefits and on-costs				0
Borrowing costs	1	1,434	13	1,447
Materials and contracts				0
Depreciation & amortisation	2	19,496	13	19,509
Impairment				0
Net loss from disposal of assets				0
Other expenses				0
Total expenses from continuing operations		20,930	26	20,956
Operating result from continuing operations		43,992	-26	43,966
Net operating result for the year	3	43,992	-26	43,966
Attributable to:				
- Council				
Net operating result for the year before grants and contributions provided for capital purposes		10,999	-26	10,973

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs (continued)

as at 30 June 2006

Notes to the reconciliation

1 Borrowing Costs:

Increased by \$13,369 being the amortisation of the discount calculated on the provision for Cairncross Tip remediation using the effective interest rate of 6%. Ie. 6% of \$222,818

2 Depreciation and impairment

Increased by \$13,101 being depreciation of the Tip asset over its useful life. Ie. \$222,818 over 17 years.

3 Total impact on operating result

Reduced by \$26,470 calculated by adding 1 and 2 above

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs as at 30 June 2006

(4) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 July 2005

	Notes	30 June 2005 \$'000	Adjustment \$'000	1 July 2005 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents				
Investments	1	59,035	392	59,427
Receivables				
Inventories				
Other				
Non-current assets classified as held for sale				
Total current assets		59,035	392	59,427
Non Current Assets				
Investments				
Receivables				
Inventories				
Infrastructure, property, plant and equipment				
Investments accounted for using equity method				
Investment property				
Other				
Total non-current assets		0	0	0
Total assets		59,035	392	59,427
LIABILITIES				
Current liabilities				
Bank Overdraft				
Payables				
Interest bearing liabilities				
Provisions				
Total current liabilities		0	0	0
Non-current liabilities				
Payables				
Interest bearing liabilities				
Provisions				
Total non-current liabilities		0	0	0
Total liabilities		0	0	0
Net assets		59,035	392	59,427
EQUITY				
Retained earnings				0
Reserves		1,341	392	1,733
Council equity interest				
Total equity		1,341	392	1,733

Port Macquarie - Hastings Council

Note 21 Explanation of transition to Australian equivalents to IRFSs (continued)

as at 30 June 2006

Notes to the reconciliation

1 Investments (Current)

Increased by \$392,111 being the revaluation of 'financial assets at fair value through retained earnings' from their carrying value for fair value on transition to AASB 132 and AASB 139.

**Note 22 Tip Remediation
for the year ended 30 June 2006**

Council is required by law to restore the present tip site at Cairncross at the end of its useful life in 2021. The projected cost of this restoration in 2021 is \$600,000 based on a study conducted by Impact Environmental Consulting Pty Ltd. This figure is based on Council maintaining its current management approach which involves each cell being capped as it is filled.

	Actual 2006 \$'000	Actual 2005 \$'000
At Beginning of year		
Amounts capitalised to Tip asset	236	223
- New disturbance		
- Revised costs		
- Revised life		
- Revised discount rate		
Amortisation of discount - expensed to borrowing costs*	14	13
At end of year	250	236

Port Macquarie - Hastings 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 for the year ended 30 June 2006:
 - (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 flow statement; 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 income statement, balance sheet, statement of changes in equity, cash flow statement, 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 Port Macquarie - Hastings Council (the Council), for the year ended 30 June 2006.

The Council is responsible for the preparation 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, 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 income statement, cash flow statement, 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.

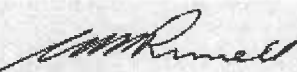
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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


PricewaterhouseCoopers


W M Russell
Partner

Newcastle
17 October 2006

Port Macquarie – Hastings Council
Independent Audit Report
S417(3) – Report on the conduct of the audit

The Councillors
Port Macquarie - Hastings Council
PO Box 84
PORT MACQUARIE NSW 2444

Dear Councillors

Report on the Conduct of the Audit for the year ended
30 June 2006 - Section 417(3)

We have completed our audit of the financial report for Port Macquarie - Hastings Council (Council) for the year ended 30 June 2006, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council.

The Councillors and Council Management are responsible for the preparation and true and fair presentation of the financial reports and the information they contain 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 have conducted an independent audit of the financial report in order to express an opinion on it 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 Income Statement, Cash flow Statement 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.

Income Statement

These financial statements incorporate Council's consolidated accounts for the year ended 30 June 2006.

(a) Net Operating Result before Grants and Contributions provided for capital purposes

Council's Net Operating Result before grants and contributions provided for capital purposes for the year ended 30 June 2006 shows a deficit of \$9,636,000 compared with a surplus of \$10,973,000 for the year ended 30 June 2005.

The movement in the result is mainly attributable to a net loss of \$9,487,000 from the disposal of assets including a write off of infrastructure assets during the year as opposed to a \$178,000 gain recognised in the prior year. In addition other factors included an increase in employee costs of \$4,584,000 increases in borrowing costs of \$343,000 materials and contract increases of \$3,032,000 an increase of \$277,000 in depreciation and amortisation, an increase of \$346,000 in other expenses. There were also decreases in revenue items which contributed to the reduced surplus in the current year including interest and investment revenue of \$785,000 and a decrease in other revenues of \$5,748,000.

Offsetting the above movements have been an increase in rates and annual charges of \$1,663,000 user charges and fees of \$2,197,000 and grants and contributions provided for operating purposes \$311,000.

Several factors have contributed to the movements noted above. They are as follows:

Employee Costs

Overall total employee costs have increased by \$4,584,000 between 2006 and 2005. The increase in employee costs is due to an increase in full time equivalent staff numbers from 478 in 2005 to 509 in 2006. A award increase of 3.5% effective from November 2005 also contributed to the increase in employee costs along with a number of promotions in the current year resulting in employees gradings being revised.

Increased fuel costs had a flow on effect to employee travel expense and this also contributed to the overall increase in employee costs.

Interest Expense

The cost of borrowing has increased \$343,000 or 24%. The increase is consistent with an increase in interest bearing liabilities from the prior year of \$22,825,000. However the timing of loans being drawn down throughout the year has resulted in interest expense not directly matching the increase in interest bearing liabilities from the prior year.

Materials and Contracts

An increase of \$3,032,000 or 12.3% on the prior year is due to a few major contributing factors. The first is Council road work at Lake Cathie which was damaged by flood and written off, secondly Council works performed at the Velodrome that were also written off in 2005 and a general increase above CPI in the price of tenders held with suppliers primarily driven by fuel increases and labour prices.

Depreciation and Amortisation

Depreciation has increased \$277,000 from the prior year expense of \$19,509,000. This increase is largely consistent taking into account plant additions and disposals during the year.

Other Expenses

Increase in other expenses of \$346,000 or 6.5% are due to an increase in donations and contributions of \$177,000 and an increase in street lighting costs of \$121,000.

Net loss from the disposal of assets

The net loss from the disposal of assets was \$9,487,000 in the current year and mainly related to the write off of the carrying value of infrastructure asset such as when a portion is removed or reconstructed or assets are identified which no longer exist for other reasons. In the current year the significant proportion relates to roads, unsealed of \$888,266 and sealed of \$6,959,567 which have been replaced. This is primarily due to works involved with the Link Rd and Hughes Road roundabout.

In the prior year the gain of \$178,000 was primarily attributable to gains on the disposal of real estate assets, of \$2,218,000 (compared to \$348,000 in current year) offset by the expense associated with the write off of infrastructure for various reasons as noted above.

Rates and Annual Charges

Rates and annual charges have increased by \$1,663,000 or 3.7% which is in line with the Department of Local Government allowable rate increase and an increase in the number of rateable assessments.

User Fees and Charges

Total user fees and charges increased by \$2,197,000 or 14.9% during the current year. The increase is predominantly driven by an increase in the user charges for water supply services, due to a switch from a more fixed annual charge system to a more user pays system. This has resulted in a decrease in the water annual charges revenue of \$1,670,000 and a corresponding increase in the user charges and fees category.

Interest

Interest revenue for the year has decreased \$785,000 or 11% which corresponds to a decrease in investment assets of \$9,307,000 between years at balance date.

Grants and contributions provided for operating purposes

Grants and contributions increased \$311,000 which is consistent with grant and contribution standard increases year to year.

Other Revenues

Other revenues have decreased by \$5,748,000 or 71.5% compared to prior year. The decrease is largely attributed to the recognition of culvert assets not previously identifiable or brought to account totaling \$6,470,000 in the 2005 year.

(b) Net Operating Result for the Year

After allowing for Grants and Contributions of a capital nature, Council's Net Operating Result for the Year in the Income Statement for the year ended 30 June 2006 was a surplus of \$14,675,000 compared to a surplus of \$43,966,000 for the year ended 30 June 2005.

The decrease in the Net Operating Result for the Year in the Income Statement is mainly attributable to a decrease in Capital Grants and Contributions of \$8,682,000. This is primarily due to contributions provided for capital purposes decreasing by \$7,325,000 as a result of a \$2,832,000 decrease in Section 94 contributions, \$2,819,000 decrease in Section 64 contributions and a \$2,503,000 decrease in contributed assets as a consequence of a decrease in overall development activity.

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 2006 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

(a) Liquidity

At 30 June 2006, Council's net current assets stood at \$78,954,000 compared to \$55,284,000 at 30 June 2005. 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 \$78.95M. This is referred to as the current asset ratio and is a measure of the liquidity of Council. Council's current ratio has improved from 3.68 at 30 June 2005 to 4.32 at 30 June 2006. 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.

The total cash and investment securities position has decreased from \$100,407,000 at 30 June 2005 to \$91,100,000 at 30 June 2006. The level of unrestricted cash has decreased slightly as detailed below:

	2006	2005
	\$'000	\$'000
Total cash assets and investment securities – current	91,100	64,246
Total cash assets and investment securities – non current	<u> </u>	<u>36,161</u>
	91,100	100,407
External restrictions	(64,685)	(78,152)
Internal restrictions	<u>(26,334)</u>	<u>(21,535)</u>
Total unrestricted cash	<u> 81</u>	<u> 720</u>

Accordingly the level of unrestricted cash at 30 June 2006 has decreased compared to the prior year by \$639,000.

(b) Unrestricted Current Ratio

The unrestricted current ratio is used to assess the adequacy of available current assets and Council's ability to satisfy its obligations in the short term after taking into account any external restrictions over the use of the current assets.

The ratio of 2.79 has increased from the prior year of 2.34 and is a strong indicator of Council's ability to effectively meet the current liabilities. This is primarily due to an increase in the level of current assets as indicated above.

(c) Debt Service Cost

At 30 June 2006 Council had outstanding borrowings of \$48,966,000 compared with \$26,141,000 at 30 June 2005. 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 7.07% for the year ended 30 June 2006 and 6.61% for the year ended 30 June 2005. The increase in the debt service cost is consistent with an increase in Council's interest bearing liabilities.

(d) Rates 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 2006, Council's rate and annual charges coverage ratio was 43.49% compared to 40.17% in 2005 and 42.65% in 2004. Accordingly Council's rates and annual charge revenue as a proportion of its total revenue has increased compared to the prior year.

The increase in the ratio for the 2006 year was due to a decrease in capital contributions during the current year resulting in the rates and annual charges revenue making up a higher percentage of total revenue.

Accordingly, Council should continue to investigate options available to increase its revenue streams from sources other than rates and annual charges so as to reduce Council's reliance on rates and annual charges revenue in providing Council services.

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 in external restrictions. Internal restrictions relate to expenditure on such items as leave entitlements, loan repayments, and asset replacement. At 30 June 2006, Council had internally restricted assets totaling \$26,334,000 compared to \$21,535,000 at 30 June 2005.

Port Macquarie - Hastings Council

Special Purpose Financial Report for the year ended 30 June 2006

Contents

	Page
Statement by Councillors and Management	1
Income statement of Water Supply business activity	2
Income statement of Sewerage business activity	3
Income statement of Waste Management business activity	4
Balance sheet of Water Supply business activity	5
Balance sheet of Sewerage business activity	6
Balance sheet of Waste Management business activity	7
Notes to the Special Purpose Financial Reports	8
Auditors' report	

Port Macquarie - Hastings Council

**Special Purpose Financial Report
for the year ended 30 June 2006**

**Statement by Councillors and Management
made pursuant to the Local Government Code of Accounting Practice and
Financial Reporting**

The attached Special Purpose Financial Report has been prepared in accordance with:

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

To the best of our knowledge and belief, these Reports:

- * present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- * accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 August 2006



Rob Drew
Mayor



Councillor



Bernard Smith
General Manager



Kerrie Avery
Responsible Accounting Officer

Port Macquarie - Hastings Council

Income Statement of Water Supply business activity for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2004 \$'000
Revenue from continuing operations			
Access charges	3,455	5,240	4,843
User charges	7,407	5,531	5,349
Fees	588	581	924
Interest	1,679	2,579	1,412
Grants and contributions provided for non capital purposes	839	479	427
Profit from the sale of assets			
Other revenues	45	61	12
Total revenues from continuing operations	14,013	14,471	12,967
Expenses from continuing operations			
Employee benefits and on-costs	3,680	2,647	1,816
Borrowing costs	214	20	21
Materials and contracts	7,454	5,680	4,430
Depreciation & impairment	2,867	3,225	3,194
Loss on sale of assets	170	205	146
Calculated taxation equivalents	29	26	22
Debt guarantee fee (if applicable)	241	34	6
Other expenses	785	667	669
Total expenses from continuing operations	15,440	12,504	10,304
Surplus (deficit) from continuing operations before capital amounts	-1,427	1,967	2,663
Grants and contributions provided for capital purposes	6,481	8,569	6,622
Surplus (deficit) from continuing operations after capital amounts	5,054	10,536	9,285
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	590	799
Surplus (deficit) after tax	5,054	9,946	8,486
Opening retained profits	192,662	182,898	173,585
Adjustments for amounts unpaid			
Taxation equivalent payments	29	26	22
Debt guarantee fees	241	34	6
Corporate taxation equivalent	0	590	799
Less: Dividend Paid	-867	-832	
Less: Financial Instruments through equity	-40		
Closing retained profits	197,079	192,662	182,898
Calculation of Dividend Payable			
Surplus (deficit) after tax	5,054	9,946	8,486
Less: Capital grants and contributions (excluding developer contributions)	4,538	4,055	2,254
Surplus for dividend calculation purposes	516	5,891	6,232
Dividend calculated from surplus	258	2,945	3,116

Port Macquarie - Hastings Council

Income Statement of Sewerage business activity for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2004 \$'000
Revenue from continuing operations			
Access charges	10,130	9,556	11,559
User charges	622	568	562
Fees	250	119	316
Interest	2,314	2,356	3,022
Grants and contributions provided for non capital purposes	327	359	340
Profit from the sale of assets			
Other revenues	23	75	52
Total revenues from continuing operations	13,666	13,033	15,851
Expenses from continuing operations			
Employee benefits and on-costs	3,195	2,882	2,164
Borrowing costs	272	316	382
Materials and contracts	6,008	4,702	5,129
Depreciation & impairment	2,894	2,865	2,707
Calculated taxation equivalents	68	50	56
Debt guarantee fee (if applicable)	106	125	152
Other expenses	847	828	889
Total expenses from continuing operations	13,390	11,768	11,479
Surplus (deficit) from continuing operations before capital amounts	276	1,265	4,372
Grants and contributions provided for capital purposes	2,201	2,818	4,521
Surplus (deficit) from continuing operations after capital amounts	2,477	4,083	8,893
Less Corporate Taxation Equivalent (30%) [based on result before capital]	83	387	1,312
Surplus (deficit) after tax	2,394	3,696	7,581
Opening retained profits	151,188	147,689	138,588
Taxation equivalent payments	68	50	56
Debt guarantee fees	106	125	152
Corporate taxation equivalent	83	387	1,312
Less: Dividend Paid	-758	-759	
Less: Financial Instruments through equity	-152		
Closing retained profits	152,929	151,188	147,689
Calculation of Dividend Payable			
Surplus (deficit) after tax	2,394	3,696	7,581
Less: Capital grants and contributions (excluding developer contributions)	1,393	183	2,208
Surplus for dividend calculation purposes	1,001	3,513	5,373
Dividend calculated from surplus	501	1,757	2,687

Port Macquarie - Hastings Council

Income Statement of Waste Management business activity for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2004 \$'000
Revenue from continuing operations			
Access charges	7,226	6,712	6,216
User charges	2,634	2,489	2,591
Fees			
Interest	28	31	27
Grants and contributions provided for non capital purposes	384	498	530
Other revenues	119	85	19
Total revenues from continuing operations	10,391	9,815	9,383
Expenses from continuing operations			
Employee benefits and on-costs	1,225	1,143	934
Borrowing costs	204	227	237
Materials and contracts	7,052	7,830	5,893
Depreciation & impairment	252	246	230
Water purchase charges			
Calculated taxation equivalents	31	25	25
Debt guarantee fee (if applicable)	88	103	118
Other expenses	68	87	1,354
Total expenses from continuing operations	8,920	9,661	8,791
Surplus (deficit) from continuing operations before capital amounts	1,471	154	592
Grants and contributions provided for capital purposes	25	13	15
Surplus (deficit) from continuing operations after capital amounts	1,496	167	607
Surplus (deficit) from all operational before tax			
Less Corporate Taxation Equivalent (30%) [based on result before capital]	441	46	178
Surplus (deficit) after tax	1,055	121	429
Opening retained profits	2,531	2,236	1,486
Adjustments for amounts unpaid			
Taxation equivalent payments	31	25	25
Debt guarantee fees	88	103	118
Corporate taxation equivalent	441	46	178
Less: Dividend Paid	0	0	0
Closing retained profits	4,146	2,531	2,236
Calculation of Dividend Payable			
Surplus (deficit) after tax	1,055	121	429
Less: Capital grants and contributions (excluding developer contributions)	25	13	15
Surplus for dividend calculation purposes	1,030	108	414
Dividend calculated from surplus	0	0	0

Port Macquarie - Hastings Council

Balance Sheet of Water Supply business activity as at 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents		
Investments	8,919	6,409
Receivables	4,202	4,265
Inventories	324	341
Other		
Non-current assets classified as held for sale		
Total current assets	13,445	11,015
Non Current Assets		
Investments		7,470
Receivables	194	206
Inventories		
Infrastructure, property, plant and equipment	204,875	183,240
Investments accounted for using equity method		
Investment property		
Other		
Total non-current assets	205,069	190,916
Total assets	218,514	201,931
LIABILITIES		
Current liabilities		
Payables	384	210
Interest bearing liabilities	686	163
Provisions	1,776	429
Total current liabilities	2,846	802
Non-current liabilities		
Payables	5,288	5,287
Interest bearing liabilities	13,253	1,939
Provisions	48	1,241
Total non-current liabilities	18,589	8,467
Total liabilities	21,435	9,269
Net assets	197,079	192,662
EQUITY		
Retained earnings	197,079	192,662
Total equity	197,079	192,662

Port Macquarie - Hastings Council

**Balance Sheet of Sewerage business activity
as at 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents		
Investments	46,190	30,325
Receivables	1,989	2,023
Inventories	15	12
Total current assets	48,194	32,360
Non Current Assets		
Investments		22,099
Receivables	273	251
Inventories		
Infrastructure, property, plant and equipment	112,118	104,797
Total non-current assets	112,391	127,147
Total assets	160,585	159,507
LIABILITIES		
Current liabilities		
Payables	194	234
Interest bearing liabilities	607	665
Provisions	903	218
Total current liabilities	1,704	1,117
Non-current liabilities		
Payables	3,337	3,337
Interest bearing liabilities	2,597	3,204
Provisions	18	661
Total non-current liabilities	5,952	7,202
Total liabilities	7,656	8,319
Net assets	152,929	151,188
EQUITY		
Retained earnings	152,929	151,188
Total equity	152,929	151,188

Port Macquarie - Hastings Council

Balance Sheet of Waste Management business activity as at 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents		
Investments	103	102
Receivables	392	370
Non-current assets classified as held for sale		
Total current assets	495	472
Non Current Assets		
Receivables	211	224
Infrastructure, property, plant and equipment	7,638	6,226
Total non-current assets	7,849	6,450
Total assets	8,344	6,922
LIABILITIES		
Current liabilities		
Payables	647	488
Interest bearing liabilities	510	506
Provisions	606	170
Total current liabilities	1,763	1,164
Non-current liabilities		
Interest bearing liabilities	2,174	2,684
Provisions	261	517
Total non-current liabilities	2,435	3,201
Total liabilities	4,198	4,365
Net assets	4,146	2,557
EQUITY		
Retained earnings	4,146	2,557
Total equity	4,146	2,557

Port Macquarie - Hastings Council

Notes to the Special Purpose Financial Reports for the year ended 30 June 2006

	Page
Contents of the notes to the financial statements	
Note 1 Significant accounting policies	SP8
Note 2 Water Supply Business best practice management disclosure requirements	SP11
Note 3 Sewerage Business best practice management disclosure requirements	SP12

Port Macquarie - Hastings Council

Note 1 Significant accounting policies for the year ended 30 June 2006

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

This special purpose financial report, unless otherwise stated, 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.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the '*Application of National Competition Policy to Local Government*'. The '*Pricing & Costing for Council Businesses A Guide of Competitive Neutrality*' issued by the Department of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; Council subsidies; return on investments (rate of return); and dividends paid.

Declared business activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Note 1 Significant accounting policies - continued

Category 1

Name	Brief description of Activity
Port Macquarie-Hastings Water Supply	Comprising the whole of the operations and assets of the water supply systems servicing the Port Macquarie-Hastings Council area, which is established as a separate Special Rate Fund. As the total annual operating revenues exceed \$2,000,000, it is defined as a "Category 1" Business activity.
Port Macquarie-Hastings Sewerage Services	Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the Port Macquarie-Hastings Council area, which is established as a separate Special Rate Fund. As the total annual operating revenues exceed \$2,000,000, it is defined as a "Category 1" Business activity.
Port Macquarie-Hastings Waste Management Services	Comprising the whole of the operations and assets of the waste management service carried out by the Port Macquarie-Hastings Council, which is established as a separate Special Rate Fund. As the total annual operating revenues exceed \$2,000,000, it is defined as a "Category 1" Business activity.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest on thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures A513) and Note 3 (Sewerage Best Practice Management Disclosures A514). As required by the Department of Energy and Utilities, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

	Notional Rate Applied
Corporate Tax Rate	30%
Land Tax	\$100 plus 1.7cents for each \$ by which the taxable value exceeds \$352,000
Other Taxes for Charges	Adjusted accordingly
Payroll Taxation	Applies

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities. The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993. Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Note 1 Significant accounting policies - continued

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the “Council” as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

Accordingly, there is no need for disclosure of internal charges in the GPFR. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates and Charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council’s Business Units face “true” commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council’s borrowing rate for its business activities.

Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community services obligations. The overall effect of subsidies is contained within the statement of financial performance by Business Activities.

Return on Investment (rate of return)

The Policy statement states that Category 1 businesses “would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field”. Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of council’s business activities on the Statement of Business Activities and Statement of Financial Position.

Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus. The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2006 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management for Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, unqualified independent Financial Audit Report and Compliance Audit Report are submitted to the Department of Energy, Utilities and Sustainability.

Port Macquarie - Hastings Council

Note 2 Water Supply Business best practice management disclosure requirements for the year ended 30 June 2006

Calculation and payment of tax-equivalents

(i) Calculated tax-equivalents	269,436
(ii) No of assessments multiplied by \$3/assessment	90,225
(iii) Amounts payable for tax-equivalents (lessor of (i) and (ii))	90,225
(iv) Amounts paid for tax-equivalents	90,225

Dividend from Surplus

(i) 50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	258,000
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	812,025
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2006, less the cumulative dividends paid for the 2 years to 20 June 2005	10,940,000
(iv) Maximum dividend from surplus (least of (i), (ii) and (iii))	258,000
(v) Dividend paid from surplus	258,000

Required outcomes for 6 Criteria

	Yes	No
(1) Completion of Strategic Business Plan (including Financial Plan)	Yes	
(2) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of the Best Practice Guidelines)	Yes	
Complying Charges (a) Residential (Item 2(b) in Table 1)	Yes	
(b) Non-residential (Item 2(b) in Table 1)	Yes	
DSP with Commerical Developer Charges (Item 2(e) in Table 1)	Yes	
(3) Complete performance Reporting Form by 31 October each year	Yes	
(4) Sound demand management	Yes	
(5) Sound Drought Management implemented (by June 2006)	Yes	
(6) Integrated Water Cycle Management Strategy (by June 2006)	Yes	

Port Macquarie - Hastings Council

Note 3 Sewerage Business best practice management disclosure requirements for the year ended 30 June 2006

Calculation and payment of tax-equivalents

(i) Calculated tax-equivalents	174,329
(ii) No of assessments multiplied by \$3/assessment	79,566
(iii) Amounts payable for tax-equivalents (lessor of (i) and (ii))	79,566
(iv) Amounts paid for tax-equivalents	79,566

Dividend from Surplus

(i) 50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	501,000
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	716,094
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2006, less the cumulative dividends paid for the 2 years to 30 June 2005	8,536,000
(iv) Maximum dividend from surplus (least of (i), (ii) and (iii))	501,000
(v) Dividend paid from surplus	501,000

Required outcomes for 6 Criteria

	Yes	No
(1) Completion of Strategic Business Plan (including Financial Plan)	Yes	
(2) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of the Best Practice Guidelines)	Yes	
Complying Charges		
(a) Residential (Item 2(b) in Table 1)	Yes	
(b) Non-residential (Item 2(b) in Table 1)	Yes	
(c) Trade Waste (Item 2(d) in Table 1)	Yes	
DSP with Commerical Developer Charges (Item 2(e) in Table 1)	Yes	
Liquid Trade Waste Approvals and Policy By June 2006 (item 2(f) in Table 1)	Yes	
(3) Complete performance Reporting Form by 31 October each year	Yes	
(6) Integrated Water Cycle Management Strategy (by June 2005)	Yes	

**HASTINGS COUNCIL
INDEPENDENT AUDIT REPORT
Report on the special purpose financial report**

Audit opinion

In our opinion, the financial report of Hastings Council presents fairly, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting. 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, being a special purpose financial report comprises the Balance Sheet by Business Activities, Income Statement by Business Activities, Note 1 to the financial statements for the business activities identified by Council and the Statement by Councillors and Management for Hastings Council for the year ended 30 June 2006. It has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the financial reporting requirements of the National Competition Policy.

The Council is responsible for the preparation and presentation of the financial report in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting. 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.

The Council has determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which forms part of the financial report and the identification of its business activities are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the Council on its preparation and presentation in accordance with the accounting policies described in Note 1. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the Council or the Department of Local Government, or for any purpose other than that for which it was prepared. Our role was to conduct the audit in accordance with Australian Auditing Standards. 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 Code of Accounting Practice and the accounting policies described in Note 1 to the financial statements, a view which is consistent with our understanding of the business activities identified by Council and their financial position and the results of their operations. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia.

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 reasonableness of significant accounting estimates made by the Council.


When this audit report is included in a document containing information in addition to the financial report, our procedures include reading the other information 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
17 October 2006

Port Macquarie - Hastings Council

Special Schedules for the year ended 30 June 2006

Contents

<i>Special Schedules (Not Audited)</i>		Page
Special Schedule No. 1	Net cost of services	1
Special Schedule No. 2(a)	Statement of long-term debt (all purpose)	4
Special Schedule No. 2(b)	Statement of internal loans (Section 410(3))	5
Special Schedule No. 3	Water supply income statement	6
Special Schedule No. 4	Water supply - balance sheet	9
Special Schedule No. 5	Sewerage service income statement	10
Special Schedule No. 6	Sewerage service - balance sheet	13
Notes to Special Schedules 3 and 5		14
Special Schedule No. 7	Condition of public works	15
Special Schedule No. 8	Financial Projections	16

Port Macquarie - Hastings Council

Special Schedule No. 1
Net cost of services
for the year ended 30 June 2006

Function or Activity	Expenses from continuing operations		Revenue from continuing operations			Net cost of services	
	Expenses	Group totals	Non Capital revenues	Capital Revenues	Group totals	Net cost	Group totals
Governance	2,569		31			2,538	
		2,569			31		2,538
Adminstration							
Corporate Support	710		147	44		519	
Engineering and Works	972		1			971	
Other Support Services	528		-12			540	
		2,210			180		2,030
Public Order and Safety							
Contributions to Fire Service Levy	250					250	
Fire Protection - Other	1,023		413	30		580	
Animal Control	306		163			143	
Beach Control	69		19			50	
Enforcement of Local Govt Regs	392		128			264	
Emergency Services	75		-7			82	
Other	409			1,397		-988	
		2,524			2,143		381
Health							
Administration and Inspection						0	
Immunisations						0	
Food Control						0	
Insect/Vermin Control						0	
Noxious Plants	290		105			185	
Health Centres						0	
Other	22					22	
		312			105		207
Community Services and Education							
Administration	1,087					1,087	
Child Care			-1			1	
Youth Services	112		44			68	
Other Families and Children	3					3	
Aged and Disabled	134		80			54	
Aboriginal Services	28					28	
Education	22					22	
Other Community Services	820		32	3		785	
		2,206			158		2,048
Housing and Community Amenities							
Housing	48		18			30	
Town Planning	3,096		1,354			1,742	
Domestic Waste Management	5,530		7,124			-1,594	
Other Waste Management	3,857		3,257	25		575	
Street Cleaning	286		-8			294	
Other Sanitation and Garbage	53		72			-19	
Urban Stormwater Drainage	1,087		-1	110		978	
Environmental Protection	1,796		463	99		1,234	
Public Cemeteries	811		871			-60	
Public Conveniences	390					390	
Other Community Amenities	17		-50			67	

	16,971			13,334		3,637
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Net cost of services (continued)

Function or Activity	Expenses from		Revenue from continuing			Net cost of services	
	Expenses	Group totals	Non Capital revenues	Capital Revenues	Group totals	Net cost	Group totals
Water Supplies	14,186		13,557	6,481		-5,852	
		14,186			20,038		-5,852
Sewerage Services	12,203		12,772	2,181		-2,750	
		12,203			14,953		-2,750
Recreation and Culture							
Public Libraries	1,987		278	36		1,673	
Museums	120		-1			121	
Art Galleries	299		37			262	
Community Centres	67		-7			74	
Public Halls	204		28	30		146	
Other Cultural Services	718		184	141		393	
Swimming Pools	626		-58			684	
Sporting Grounds	852		-69	424		497	
Parks and Gardens (Lakes)	3,615		293	850		2,472	
Other Sport and Recreation	326		48			278	
		8,814			2,214		6,600
Mining, Manufacturing and Constructions							
Building Control	1,768		1,341			427	
		1,768			1,341		427
Transport and Communications							
Urban Roads (UR): Local	10,494		848	10,105		-459	
Urban Roads: Regional	421		755	449		-783	
Sealed Rural Roads (SRR): Local	6,822		-1	1,382		5,441	
Sealed Rural Roads: Regional	269					269	
Unsealed Rural Roads (URR): Local	2,013					2,013	
Bridges on Urban Roads: Local	30		-11	56		-15	
Bridges on Sealed Rural Roads: Local	1,181					1,181	
Footpaths	292		13	30		249	
Aerodromes	752		1,473	313		-1,034	
Parking Areas	125		-70	23		172	
Bus Shelters and Services	27		9	27		-9	
Water Transport	208		40			168	
Street Lighting	1,046		86			960	
Other	1,496		311			1,185	
		25,176			15,838		9,338

Net cost of services (continued)

Function or Activity	Expenses from		Revenue from continuing			Net cost of services	
	Expenses	Group totals	Non Capital revenues	Capital Revenues	Group totals	Net cost	Group totals
Economic Affairs							
Camping Areas	915		955			-40	
Caravan Parks	1,944		965			979	
Tourism and Area Promotion	439		181			258	
Industrial Development Promotion						0	
Real Estate Development	13		-32	75		-30	
Other Business Undertakings	819		394			425	
		4,130			2,538		1,592
Totals - Functions		93,069			72,873		20,196
General Purpose Revenues (1)			34,871		34,871	34,871	34,871
Net operating result for the year (2)		93,069			107,744		14,675

Notes:

(1) Includes:

- * Rates and annual charges
- * Non-Capital General Purpose Grants
- * Interest on Investments

(2) As reported on the income statement

**Port Macquarie - Hastings
Council**

**Special Schedule No. 2(a)
Statement of long-term debt (all purpose)**

for the year ended 30 June 2006

Classification of Debt	Principal outstanding at beginning of year		New loans raised during the year	Debt redemption during the year		Transfer to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-current		From revenue	Sinking Funds			Current	Non-current
Loans (by source)									
Financial Institutions	3,833	22,183	26,683	3,833	-	-	1,771	4,926	43,940
Department of Lands	25	100	-	25	-	-	4	25	75
Total Loans	3,858	22,283	26,683	3,858	-	-	1,775	4,951	44,015
Total long term debt	3,858	22,283	26,683	3,858	-	-	1,775	4,951	44,015
									48,966

Port Macquarie - Hastings Council

**Special Schedule No. 2(b)
Statement of internal loans (Section 410(3) LGA 1993)**

for the year ended 30 June 2006

Summary of internal loans

Borrower (by purpose)	Account originally raised	Total repaid during the year Principal and interest	Principal outstanding at end of year
General	4,737	640	3,595
Totals	4,737	640	3,595
Total long term debt	4,737	640	3,595

The summary of internal loans (see above) represents the total of Councils' internal loans categorised according to the purpose of the borrower. Details of individual loans are set out below.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's approval	Date raised	Term Years	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during the year Principal and interest	Principal outstanding at end of year
Property (Land purchase Flynn Street, Port Macquarie)	Sewer Fund	5/07/2003	2/07/2003	10	2/07/2013	6.30%	2,008	272	1,526
Property (Land purchase Toorak Circuit, Port Macquarie) - Deposit	Sewer Fund	5/07/2003	3/05/2003	10	3/05/2013	6.26%	302	41	229
Property (Land purchase Toorak Circuit, Port Macquarie)	Sewer Fund	5/07/2003	30/06/2003	10	30/06/2013	6.12%	2,427	327	1,840
							4,737	640	3,595

Port Macquarie - Hastings Council

**Special Schedule No. 3
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	2,038	1,849
b. Engineering and Supervision	804	694
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	445	229
b. Maintenance expenses	34	20
Mains		
c. Operation expenses	79	68
d. Maintenance expenses	645	488
Reservoirs		
e. Operation expenses	139	135
f. Maintenance expenses	115	86
Pumping Stations		
g. Operation expenses (excluding energy costs)	219	131
h. Energy Costs	561	576
i. Maintenance expenses	778	316
Treatment		
j. Operation expenses (excluding energy costs)	1	1
k. Chemical Costs	100	122
l. Maintenance expenses	98	106
Other		
m. Operation expenses	2,748	2,918
n. Maintenance expenses	489	359
o. Purchase of Water		
3 Depreciation		
a. System assets	2,867	3,223
b. Plant and equipment	2	2
4 Miscellaneous Expenses		
a. Interest expenses	214	20
b. Other expenses	2,624	896
NCP Tax & Other Equivalents	270	60
5 Total expenses	15,270	12,299
Income		
6 Residential charges		
a. Access (including rates)	2,717	4,325
b. User charges	6,793	4,142
7 Non-residential charges		
a. Access (including rates)	740	915
b. User charges	612	1,389
8 Extra charges	51	39
9 Interest income	1,631	2,579
10 Other income	629	602
11 Grants		
a. Grants for the acquisition of assets	4,019	3,935
b. Grants for pensioner rebates	335	335
c. Other grants	74	8
12 Contributions		
a. Developer charges	1,943	3,772
b. Developer provided assets	519	743
c. Other contributions	429	256
13 Total Income	20,492	23,040
14 Gain or (loss) on disposal of assets	-170	-205
15 Operating result	5,052	10,536
15a Operating result (less grants for acquisition of assets)	1,033	6,601

Port Macquarie - Hastings Council

**Special Schedule No. 3 (continued)
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
B Capital transactions		
Non-operating expenditures		
16 Acquisition of Fixed Assets		
a. Subsidised Scheme	15,731	9,781
b. Other new system assets	7,572	8,308
c. Renewals	861	289
d. Plant and equipment		
17 Repayment of Debt		
a. Loans	163	72
18 Transfer to sinking fund		
19 Totals	24,327	18,450
Non-operating funds employed		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	12,000	2,000
22 Transfer from sinking fund		
23 Totals	12,000	2,000
C Rates and Charges		
24 Number of assessments		
a. Residential (occupied)	26,141	24,868
b. Residential (unoccupied)	1,243	346
c. Non-residential (occupied)	2,403	3,677
d. Non-residential (unoccupied)	288	
	30,075	28,891
25 Number of ET's for which developer charges were received	287	685
26 Total amount of pensioner rebates	606	609

Port Macquarie - Hastings Council

**Special Schedule No. 3 (continued)
Water Supply - Cross-subsidies
for the year ended 30 June 2006**

	Yes/No	Amount
D Best practice annual charges and developer charges		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage chages?	Yes	
If yes go to 28a.		
If no, has Council removed land value from accerss charges (ie rates)		
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)		_____
c. Cross-subsidy to non-residential customers using less than allowance (page 25 of Guidelines)		_____
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)		_____
28 Developer charges		
a. Has council completed a water supply Development Servicing Plan? ***	Yes	_____
b. Total cross-subsidy in water supply developer charges for 2005/06 (page 47 of Guidelines)		<u>270,675</u>
*** In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i> , Department of Land and Water Conservation, December 2002		
29 Disclosure of cross-subsidies		_____
Total of cross-subsidies (27b+27c+27d+28b)		<u>270,675</u>

Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above

However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of three years.

Port Macquarie - Hastings Council

**Special Schedule No. 4
Water Supply - Balance Sheet
(Gross including Internal Transactions)
for the year ended 30 June 2006**

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
30			
Cash and investments			
a. Developer charges	3,112		3,112
f. Other	5,807		5,807
31			
Receivables			0
a. Specific purpose grants	1,568		1,568
b. Rates and charges	2,559	186	2,745
c. Other	75	8	83
32			
Inventories	324		324
33			
Property, plant and equipment			0
a. System assets		204,875	204,875
b. Plant and equipment			
34			
Other Assets			
35			
Total assets	13,445	205,069	218,514
LIABILITIES			
36			
Bank overdraft			
37			
Creditors	384	5,288	5,672
38			
Borrowings			0
a. Loans	686	13,253	13,939
39			
Provisions			
c. Other	1,776	48	1,824
40			
Total Liabilities	2,846	18,589	21,435
41			
Net assets committed	10,599	186,480	197,079
EQUITY			
42			
Accumulated Surplus			197,119
Asset revaluation reserve			-40
44			
Total equity			197,079
Note to system assets:			
45			
Current replacement cost of system assets			270,567
46			
Accumulated current cost depreciation of system assets			65,692
47			
Written down current cost of system assets			204,875

Port Macquarie - Hastings Council

Special Schedule No. 5 Sewerage Income Statement (Gross including Internal Transactions) for the year ended 30 June 2006

	Actual 2006 \$'000	Actual 2005 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	1,607	1,511
b. Engineering and Supervision	644	586
2 Operation and Maintenance		
Mains		
a. Operation expenses	242	414
b. Maintenance expenses	628	560
Pumping Stations		
c. Operation expenses (excluding energy costs)	705	529
d. Energy Costs	385	370
e. Maintenance expenses	1,191	893
Treatment		
f. Operation expenses (excluding chemical , energy, effluent and biosolids management costs)	544	512
g. Chemical Costs	139	164
h. Energy Costs	404	419
i. Effluent management	48	
j. Biosolids management	601	489
k. Maintenance expenses	1,256	1,025
Other		
l. Operation Expenses	434	466
m. Maintenance expenses	24	54
3 Depreciation		
a. System assets	2,842	2,801
b. Plant and equipment	52	64
4 Miscellaneous Expenses		
a. Interest expenses	272	316
b. Other expenses	1,196	420
NCP Tax & Other Equivalents	174	175
5 Total expenses	13,388	11,768
Income		
6 Residential charges (including rates)	9,341	8,820
7 Non-residential charges		
a. Access (including rates)	789	736
b. User charges	549	568
8 Trade Waste Charges	20	18
9 Extra charges	55	48
10 Interest income	2,259	2,356
11 Other income	325	128
12 Grants		
a. Grants for the acquisition of assets	74	125
b. Grants for pensioner rebates	319	314
13 Contributions		
a. Developer charges	808	1,733
b. Developer provided assets	1,298	902
c. Other contributions	28	103
14 Total Income	15,865	15,851
15 Gain or loss on disposal of assets		
16 Operating result	2,477	4,083
16a Operating result (less grants for acquisition of assets)	2,403	3,958

Port Macquarie - Hastings Council

**Special Schedule No. 5 (continued)
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2006**

	Actual 2006 \$'000	Actual 2005 \$'000
B Capital transactions		
Non-operating expenditures		
17 Acquisition of Fixed Assets		
a. Subsidised Scheme	114	194
b. Other new system assets	11,035	2,331
c. Renewals	357	897
d. Plant and equipment	0	33
18 Repayment of Debt		
a. Loans	665	618
19 Transfer to sinking fund		
20 Totals	12,171	4,073
Non-operating funds employed		
21 Proceeds from the disposal of assets		
22 Borrowings utilised		
a. Loans		
23 Transfer from sinking fund		
24 Totals		
C Rates and Charges		
25 Number of assessments		
a. Residential (occupied)	24,510	23,500
b. Residential (unoccupied)		
c. Non-residential (occupied)	2,012	1,769
d. Non-residential (unoccupied)		
	26,522	25,269
26 Number of ET's for which developer charges were received	250	709
27 Total amount of pensioner rebates	579	572

Port Macquarie - Hastings Council

**Special Schedule No. 5 (continued)
Sewerage - Cross-subsidies
for the year ended 30 June 2006**

	Yes/No	Amount
D Best practice annual charges and developer charges		
27 Annual Charges		
a. Does Council have best-practice sewerage annual charges and usage charges and trade waste fees and charges*?	Yes	
If yes go to 28a.		
If no, has Council removed land value from access charges (ie rates)		
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)		_____
c. Cross-subsidy to non-residential customers using less than allowance (page 25 of Guidelines)		_____
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)		_____
28 Developer charges		
a. Has council completed a sewerage Development Servicing Plan? ***	Yes	
b. Total cross-subsidy in sewerage developer charges for 2005/06 (page 47 of Guidelines)		769,138
*** In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i> , Department of Land and Water Conservation, December 2002		
29 Disclosure of cross-subsidies		
Total of cross-subsidies (27b+27c+27d+28b)		769,138

Councils which have not yet implemented best practice sewerage pricing should disclose cross-subsidies in items 27b, 27c and 27d above

However, disclosure of cross-subsidies is not required where a Council has implemented best practice sewerage and liquid trade waste pricing and is phasing in such pricing over a period of three years.

Port Macquarie - Hastings Council

**Special Schedule No. 6
Sewerage services - Balance Sheet
(Gross including Internal Transactions)
for the year ended 30 June 2006**

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
30			
Cash and investments			
a. Developer charges	27,191		27,191
b. Specific purpose grants			
c. Accrued leave			
d. Unexpended loans			
e. Sinking fund			
f. Other	18,999		18,999
31			
Receivables			
a. Specific purpose grants	1,288		1,288
b. Rates and charges	489	273	762
c. Other	212		212
32			
Inventories	15		15
33			
Property, plant and equipment			
a. System assets		111,718	111,718
b. Plant and equipment		400	400
34			
Other Assets			
35			
Total assets	48,194	112,391	160,585
LIABILITIES			
36			
Bank overdraft			
37			
Creditors	194	3,337	3,531
38			
Borrowings			
a. Loans	607	2,597	3,204
39			
Provisions			
c. Other	903	18	921
40			
Total Liabilities	1,704	5,952	7,656
41			
Net assets committed	46,490	106,439	152,929
EQUITY			
42			
Accumulated Surplus			153,081
Asset revaluation reserve			-152
44			
Total equity			152,929
Note to system assets:			
45			
Current replacement cost of system assets			164,260
46			
Accumulated current cost depreciation of system assets			52,542
47			
Written down current cost of system assets			111,718

Notes to Special Schedules 3 and 5

Administration⁽¹⁾ (item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision⁽¹⁾ (item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operation expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4b of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

Residential charges⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b User Charges.

Non-residential charges⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b User Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

1. Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).
2. To enable accurate reporting of **average residential bills**, it is essential for councils to accurately separate their residential (item 6) and non-residential (item 7) charges.

**Port Macquarie - Hastings Council
Special Schedule No. 7**

**as at 30 June 2006
\$'000**

Asset class	Asset category (as determined by Council)	Depn Expense % (specific rate or range of rates)	Depn expense	Cost	Valuation	Accum Depreciation and Impairment	WDV	Asset Condition (refer to details attached)	Estimated cost to bring to a satisfactory standard	Required annual maintenance	Current annual maintenance
			\$'000								
			Per Note 4	Per Note 9			Per Section 428(2d)				
Public Buildings	Infrastructure	1% to 10%	1,063	49,095		17,567	31,528	3	0	1,115	1,158
Public Roads	Infrastructure	1.25% to 10%	7,506	412,090		59,593	352,497	3	48,200	9,193	6,068
Water	Infrastructure	1.25% to 10%	2,860	268,104		65,527	202,577	3	0	2,184	2,184
Sewerage	Infrastructure	1.25% to 10%	2,801	158,443		51,657	106,786	3	0	1,850	1,850
Drainage Works	Infrastructure	1.25% to 10%	796	41,346		6,116	35,230	3	9,600	930	430
Total classes	Total – all assets		15,026	929,078		200,460	728,618		57,800	15,272	11,690

Notes:

Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned 'enhancement(s)' to the existing asset.

Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.

Current Annual Maintenance is what has been spent in the current year to maintain assets.

Port Macquarie - Hastings Council

Notes to Special Schedule 7

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

ASSET CONDITION

The following condition codes have been used in this Schedule.

1. Newly Constructed
2. Over 5 years old but fully maintained in "as new" condition
3. Good condition
4. Average condition
5. Partly worn - beyond 50% of economic life
6. Worn but servicable
7. Poor - replacement required

Port Macquarie - Hastings Council

Special Schedule No. 8 Financial projections for the year ended 30 June 2006

	2006 (1) \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m
Recurrent budget					
Income from continuing operations	108	109	116	118	123
Expenses from continuing operations	93	85	88	90	93
Operating result from continuing operations	15	24	28	28	30
Capital budget					
New capital works (2)	80	88	81	57	74
Funded by:					
- Loans	23	26	19	16	18
- Asset sales					2
- Reserves	23	18	15	12	16
- Grants/Contributions	28	34	35	20	23
- Recurrent revenue	6	7	7	7	11
- Other		3	5	2	4
	80	88	81	57	74

Notes:

(1) From income statement

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