



**PORT MACQUARIE
HASTINGS**

PORT MACQUARIE-HASTINGS COUNCIL

Financial Statements

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
30 JUNE 2009**

Port Macquarie - Hastings Council

General Purpose Financial Report for the year ended 30 June 2009

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This financial report is a general purpose financial report of Port Macquarie-Hastings Council 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 26 August 2009. 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 2009**

**Statement by Administrator 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 Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 26th August 2009.



Garry Payne AM
Administrator



Andrew Roach
General Manager



Kerrie Avery
Responsible Accounting Officer

Port Macquarie - Hastings Council

Income Statement for the year ended 30 June 2009

Original Budget (1) 2009 \$'000		Notes	Actual 2009 \$'000	Actual 2008 \$'000
	Income from continuing operations			
	<i>Revenue:</i>			
58,423	Rates and annual charges	3a	58,768	54,331
23,231	User charges and fees	3b	21,552	20,246
4,365	Interest and investment revenues	3c	0	1,654
3,167	Other revenues	3d	3,927	3,107
11,115	Grants and contributions provided for operating purposes	3e,f	14,665	12,166
19,835	Grants and contributions provided for capital purposes	3e,f	22,957	17,363
	<i>Other Income:</i>			
	Net gain from the disposal of assets	5	0	0
120,136	Total income from continuing operations		121,869	108,867
	Expenses from continuing operations			
33,345	Employee benefits and on-costs	4a	35,392	33,344
6,873	Borrowing costs	4b	3,546	3,546
28,360	Materials and contracts	4c	28,723	29,562
33,044	Depreciation & amortisation	4d	33,653	30,669
6,328	Other expenses	4e	6,090	5,635
	Investment losses	3c	12,862	0
220	Net loss from disposal of assets	5	494	2,812
108,170	Total expenses from continuing operations		120,760	105,568
11,966	Operating result from continuing operations		1,109	3,299
11,966	Net operating result for the year		1,109	3,299
	Attributable to:			
11,966	- Council		1,109	3,299
11,966			1,109	3,299
-7,869	Net operating result for the year before grants and contributions provided for capital purposes		-21,848	-14,064

Note:

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

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

Port Macquarie - Hastings Council

Balance Sheet as at 30 June 2009

ASSETS

Current Assets

Cash and cash equivalents	6a		
Investments	6b		
Receivables	7		
Inventories	8		
Other	8		
Non-current assets classified as held for sale	22		

Total current assets

Non Current Assets

Investments	6b		
Receivables	7		
Inventories	8		
Infrastructure, property, plant and equipment	9		

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables	10		
Borrowings	10		
Provisions	10		

Total current liabilities

Non-current liabilities

Payables	10		
Borrowings	10		
Provisions	10		

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Retained earnings	20		
Revaluation reserves	20		

Total equity

Notes	Actual 2009 \$'000	Actual 2008 \$'000
	40,607	28,146
	1,192,936	1,157,780
	1,233,543	1,185,926
	31,670	28,581
	94,384	80,581
	126,054	109,162
	1,107,489	1,076,764
	853,764	855,043
	253,725	221,721
	1,107,489	1,076,764

Port Macquarie - Hastings Council

Statement of changes in equity for the year ended 30 June 2009

	Notes Ref.	Actual 2009 \$'000				Actual 2008 \$'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	855,043	221,721	1,076,764	1,076,764	855,588	172,511	1,028,099	1,028,099
Revaluation of Infrastructure, Property, Plant and Equipment	20		24,833	24,833	24,833		0	0	0
Transfers to/from Asset revaluation reserve	20		7,171	7,171	7,171		49,210	49,210	49,210
Land under roads recognised/(derecognised)	20	-2,388	0	-2,388	-2,388				
Adjustment due to previous years error				0	0	-3,844		-3,844	-3,844
Net movements recognised directly in equity		-2,388	32,004	29,616	29,616	-3,844	49,210	45,366	45,366
Net operating result for the year		1,109		1,109	1,109	3,299		3,299	3,299
Balance at end of the reporting period		853,764	253,725	1,107,489	1,107,489	855,043	221,721	1,076,764	1,076,764

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 2009

Budget 2009 \$'000		Notes	Actual 2009 \$'000	Actual 2008 \$'000
	Cash flows from operating activities			
	Receipts:			
58,431	Rates and annual charges		58,279	53,754
23,821	User charges and fees		21,974	19,787
4,310	Investment revenue and interest		3,192	5,026
23,325	Grants and contributions		27,164	21,752
5,449	Other		5,765	7,632
	Payments:			
-32,522	Employee benefits and on-costs		-34,647	-33,396
-30,831	Materials and contracts		-29,515	-32,985
-6,688	Borrowing Costs		-3,221	-2,996
-7,963	Other		-8,281	-7,770
37,332	Net cash provided by operating activities	11 (b)	40,710	30,804
	Cash flows from investing activities			
	Receipts:			
8,795	Sale of Investments	6	10,821	29,114
	Sale of investment property			
	Sale of real estate assets	5,8	0	0
2,030	Sale of infrastructure, property, plant and equipment	5	1,446	2,381
4,250	Other		5,893	5,345
	Payments:			
	Purchase of investments		0	-12,925
	Purchase of investment properties			
-62,015	Purchase of infrastructure, property, plant and equipment	9	-72,383	-65,506
	Purchase of real estate	8		
	Other		-60	-253
-46,940	Net cash used in investing activities		-54,283	-41,844
	Cash flows from financing activities			
	Receipts:			
15,540	Borrowings and advances		20,340	18,488
	Payments:			
-6,907	Borrowings and advances		-6,523	-5,689
8,633	Net cash provided by financing activities		13,817	12,799
-975	Net increase/(decrease) in cash and cash equivalents		244	1,759
4,257	Cash and cash equivalents at beginning of reporting period	11(a)	4,257	2,498
3,282	Cash and cash equivalents at end of reporting period	11	4,501	4,257

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 2009

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Note 1 Summary of significant accounting policies

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, Australian Accounting Standards Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

AAS 27

The Standard has been superseded from 1 July 2008. However, all key elements of the former Standard have been incorporated into other current Standards included AASB 1051, 1052 and 1004.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 the priorities established in work schedules.

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(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.

Note 1 Summary of significant accounting policies**(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 Community Arts Hall

(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 Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. 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 is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is not reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor 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.

Note 1 Summary of significant accounting policies**(f) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, 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 using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ii) *Land held for resale/capitalisation of borrowing costs*

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

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

(j) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), 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 (or disposal group) is recognised at the date of derecognition.

Note 1 Summary of significant accounting policies

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(k) Investments and other financial assets**Classification**

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (note 8) and receivables (note 7) 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 Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Change in accounting policy

Council has adopted the policy of reclassifying financial assets out of held-for-trading category from 1 July 2008, following amendments made to AASB 139 Financial Instruments: Recognition and Measurement in October 2008. Under Council's previous policy reclassifications of financial assets were not permitted.

Note 1 Summary of significant accounting policies**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which 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 & loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l).

Impairment

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and *S212 of the LG (General) Regulations 2005*. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

(l) Fair value estimation

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

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

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

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

Note 1 Summary of significant accounting policies**(m) Infrastructure, property, plant and equipment (IPPE)**

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. Valuations, where necessary, are carried out by a member of the Australian Property Institute. At balance date the following classes of IPPE were stated at their fair value:

- * Operational Land, where necessary (External Valuation).
- * Buildings - Specialised/Non Specialised (External Valuation).
- * Water/Sewerage Networks (Internal Valuation).
- * Plant and equipment (as approximated by depreciated historical cost).

Other assets classes will be revalued to fair value as follows:

2009/10 - roads, bridges, footpaths and drainage assets

2010/11 - community land, land improvements, other structures and other assets.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the DWE Rates Reference Manual. For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 year cycle.

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

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

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

Office equipment	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	40 years
Unsealed roads	20 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.

Note 1 Summary of significant accounting policies**(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, which is based on active market prices, adjusted, if necessary, for an difference in the nature, location or condition of the specific assets. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in the income statement as part of other income.

(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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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 reporting date.

(q) Borrowing costs

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

(r) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(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.

Note 1 Summary of significant accounting policies*(ii) Vesting Sick leave*

When an employee becomes deceased, or in the event of retirement, resignation or redundancy from the service of Council, and provided this separation is not a result of disciplinary action, the employee will be paid a proportion of untaken sick leave on the following basis:

10 - 15 years service	30%
15 years service and over	50%

provided that all new employees either commencing, or recommencing employment with Council, after 10 July 2008, are precluded from accessing payment for untaken sick leave on termination of employment.

The liability for vesting sick leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided up to the reporting date.

(iii) 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.

(iv) 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 member councils that as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009. As a result they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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 acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.

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

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

Note 1 Summary of significant accounting policies**(v) Provisions for close down and restoration and for environmental clean up cost - Waste Management Facilities****(i) Restoration**

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, e.g. 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 some of the 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.

(ii) Rehabilitation

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 cost 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 assets and liabilities

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 interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. There will be no impact as this Standard is not applicable to not-for-profit entities like Council.

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

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

Note 1 Summary of significant accounting policies

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

The September 2007 revised AASB 101 required the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. Council will apply the revised standard from 1 July 2009.

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

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There will be no impact on the financial reports as Council makes no share based payments.

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

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. A remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

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

(vi) AASB 2008-9 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

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

In July 2008, The AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. Council will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

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

AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

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

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

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

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

Note 1 Summary of significant accounting policies

(x1) AASB Interpretation 17 *Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. There will be no impact on the financial reports as Council has no exposure to these types of transactions.

(y) Intangible assets*IT Development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs or materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

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

(z) Crown Reserves

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

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

(aa) Rural Fire Service assets

Under section 119 of the Rural Fire Services Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*. Until such time as discussions on this matter have concluded and the legislation changed, councils will continue to account for these assets as they have been doing in previous years.

(bb) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset for as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows, arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Note 2(a) Functions

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those focus areas are provided in Note 2(b).

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	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2009	2009	2008	2009	2009	2008	2009	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Governance	80	-72	80	5,055	5,057	2,660	-4,975	-5,129	-2,580				
Administration	271	334	383	2,775	3,132	1,572	-2,504	-2,798	-1,189	797	759	29,218	30,846
Public order & safety	1,363	3,118	1,559	1,228	3,329	2,487	135	-211	-928	2,537	914	13,920	11,662
Health	82	179	117	311	373	347	-229	-194	-230	109	104	88	49
Community services & education	262	289	154	1,810	1,685	1,949	-1,548	-1,396	-1,795	206	80	2,020	2,270
Housing & community amenities	16,931	19,162	17,028	18,670	20,231	20,050	-1,739	-1,069	-3,022	1,428	991	63,415	62,616
Water supplies	22,388	23,792	17,533	16,368	20,454	17,198	6,020	3,338	335	367	381	361,274	349,236
Sewerage services	18,455	15,834	13,964	13,759	19,345	15,069	4,696	-3,511	-1,105	335	336	222,088	208,382
Recreation & culture	2,978	2,251	1,918	15,403	11,096	10,977	-12,425	-8,845	-9,059	1,306	579	117,841	94,432
Mining, manufacturing & construction	2,222	1,361	1,635	2,392	1,952	2,177	-170	-591	-542			235	395
Transport & communication	14,148	13,417	15,289	25,243	25,128	25,181	-11,095	-11,711	-9,892	3,138	3,342	407,897	410,686
Economic affairs	3,539	3,799	3,066	5,156	5,404	5,777	-1,617	-1,605	-2,711	458	39	15,547	15,352
Total functions & activities	82,719	83,464	72,726	108,170	117,186	105,444	-25,451	-33,722	-32,718	10,681	7,525	1,233,543	1,185,926
General Purpose Income (1)	37,417	38,405	36,141		3,574	124	37,417	34,831	36,017	9,133	6,698		
Totals	120,136	121,869	108,867	108,170	120,760	105,568	11,966	1,109	3,299	19,814	14,223	1,233,543	1,185,926

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

As reported on the income statement.

Note 2(b) Components of functions

(continued)

Details of the functions or activities reported on in Note 2(a) are as follows:

Governance

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

Administration

Costs 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.

Note 3 Income from continuing operations

(a) Rates and annual charges

Ordinary Rates

	Actual 2009 \$'000	Actual 2008 \$'000
Residential	22,979	22,073
Farmland	1,710	1,633
Mining		
Business	5,212	4,976
Total ordinary rates	29,901	28,682

Special Rates

Broadwater Special Rate	66	63
Newtons Special Rate	13	10
Total special rates	79	73

Annual Charges *(pursuant to s.496 and s.501)*

Domestic waste management services	8,790	8,414
Water supply	4,365	3,608
Sewerage services	14,508	12,440
Waste management services (not domestic)	513	505
Stormwater Drainage	611	609
Reclaimed Water	1	
Total annual charges	28,788	25,576
Total rates and annual charges	58,768	54,331

Council has used 2007 valuations provided by the NSW Valuer General in calculating its rates.

Note 3 Income from continuing operations (continued)

Notes to the financial statements
30 June 2009
(continued)

(b) User charges and fees

User charges (pursuant to s.502)

Water supply services	10,000	8,165
Sewerage services	723	610
Waste management services (not domestic)	2,684	2,660
Onsite Effluent	134	78
Reclaimed Water	10	

Total user charges

Fees

Administration	151	69
Aerodrome	2,099	2,621
Animal registration	219	242
Beach permits	22	19
Building	886	1,107
Caravan parks	1,387	1,293
Certificate income	189	233
Crematorium/cemeteries	997	975
Health	48	56
Private Works	450	278
s.611	41	39
Section 68 permits	377	377
Sewerage Services	16	5
Town Planning	813	955
Water meter installations	236	389
Water supply fees	70	75

Total fees

Total user charges and fees

(c) Interest and Investment revenue

Interest and Dividends		
- Overdue rates and charges	361	355
- Cash and Investments	2,512	4,941
Fair value adjustments		
- Investments	-313	-3,642
Impairment Losses		
- Investments	-15,422	0

Total interest and investment revenue (losses)(1)

	Actual 2009 \$'000	Actual 2008 \$'000
	10,000	8,165
	723	610
	2,684	2,660
	134	78
	10	
	13,551	11,513
	151	69
	2,099	2,621
	219	242
	22	19
	886	1,107
	1,387	1,293
	189	233
	997	975
	48	56
	450	278
	41	39
	377	377
	16	5
	813	955
	236	389
	70	75
	8,001	8,733
	21,552	20,246
	361	355
	2,512	4,941
	-313	-3,642
	-15,422	0
	-12,862	1,654

Note 3 Income from continuing operations (continued)**Notes to the financial statements****30 June 2009****(continued)****(d) Other revenues**

Administration
Animal Control
Community services
Economic affairs
Fines
Health
Housing and community amenities
Information/document sales
Library charges
Public order and safety
Recreation and cultural facilities
Rental of council facilities
Sewerage services
Transport and communications
Waste management revenues
Water supplies
Total other revenues

Actual 2009 \$'000	Actual 2008 \$'000
217	196
25	24
36	78
1,303	1,106
370	389
1	
228	131
61	82
134	122
10	11
190	247
408	379
29	24
	11
885	264
30	43
3,927	3,107

Note:

(1) Where interest and investment revenue nets to an overall loss, this is carried to the interest and investment losses line on the Income Statement.

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	9,133	6,698		
Pensioners' rates subsidies:				
- General	767	745		
Special purpose				
Pensioners' rate subsidies:				
- Water	351	338		
- Sewer	328	318		
- Domestic waste management	305	287		
Community services and education	133	81	73	
Economic affairs	258	139	200	
Employment and training programmes	56	77		
Health	179	117		
Housing and community amenities	593	468	102	41
Library	152	183		
Public order and safety	334	525	2,170	407
The Glasshouse	36			
Recreation and culture	55	62	831	214
Roads and bridges	104	86		
Sewerage services			5	6
Street lighting	90	88		
Transport (3x3, Flood works, Roads to Recovery)			3,255	3,168
Waste management	304	180		
Water supplies				-5
Total grants	13,178	10,392	6,636	3,831
Comprising:				
- Commonwealth funding	9,211	6,702	3,623	1,835
- State funding	3,907	3,681	3,013	1,996
- Other funding	60	9		
	13,178	10,392	6,636	3,831
(f) Contributions				
Developer Contributions				
- Section 94	56	66	1,751	2,086
- Section 94A			94	16
- Planning agreements			265	
RTA contributions (Regional/Local, Block Grant)	968	951		
Section 64:				
- Water			3,599	1,448
- Sewerage			693	718
Dedications			8,711	8,116
Administration	-72	80		
Community services and education	43	5	54	
Economic affairs	68	48		
Housing and community amenities	207	324		
Public order and safety		18	50	
Recreation and culture	51	55	44	20
The Glasshouse	91			
Transport and communications		10	123	93
Water supplies	75	217	937	1,035
Total contributions	1,487	1,774	16,321	13,532
Total grants and contributions	14,665	12,166	22,957	17,363

Note 3 Income from continuing operations (continued)

(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

Less:

Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period

Net increase/(decrease) in restricted grants and contributions

	Actual 2009 \$'000	Actual 2008 \$'000
	5,963	3,972
	5,258	4,443
	705	-471

(h) Significant Items

The following items have significantly impacted Council's operating result.

Reduction in the value of investments.

Council has designated a proportion of its investments portfolio as "at fair value through profit and loss". Any movement in the fair value of these investments is recognised as revenue or expense in the income statement. There has been a significant reduction in the fair value of these investments during the financial year (Refer Note 3c).

-313	-3,642
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Impairment losses investments.

Council has designated a proportion of its investments portfolio as "available for sale". In accordance with Australian Accounting Standard 139 the movement in the fair value of these investments is recognised in equity up until the point in time where Council considers them to be impaired. Once each investment is considered to be impaired the cumulative movement in fair value from the time of purchase to the date of impairment is required to be transferred to the Income Statement. The amount recognised in the Income Statement is the difference between the purchase price of the investment and the carrying value in the Balance Sheet as at the date of impairment. The amount recognised here is attributable to those investments Council considers, along with its Advisors, to be higher risk.

-15,422	0
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Note 4 Expenses from continuing operations

(a) Employee benefits and on costs

	Actual 2009 \$'000	Actual 2008 \$'000
Salaries and wages	26,711	26,970
Travelling	2,052	1,965
Employee leave entitlements	5,569	4,288
Superannuation	2,942	2,337
Workers' compensation insurance	763	1,159
Fringe Benefits Tax	227	208
Payroll Tax	529	541
Training costs (excluding Salaries)	143	234
Other	94	118
Less: Capitalised costs	-3,638	-4,476
Total employee costs expensed	35,392	33,344

Number of FTE employees

455 509

(b) Borrowing Costs

Interest on Overdrafts	1	3
Interest on Loans	6,024	4,771
Amortisation of discounts and premiums:		
- Tip remediation	16	17
Less: Capitalised costs	-2,495	-1,245
Total borrowing costs expensed	3,546	3,546

(c) Materials and contracts

Raw materials and consumables	17,127	18,925
Contractor and consultancy costs	6,742	6,576
- Domestic waste management contract	3,791	3,539
Audit Fees:		
- Audit services	53	60
Legal fees:		
- Planning and development	40	21
- Other	970	441
Total materials and contracts	28,723	29,562

Note 4 Expenses from continuing operations (continued)

Notes to the financial statements
30 June 2009
(continued)

(d) Depreciation, amortisation and impairment

	Actual 2009 \$'000	Actual 2008 \$'000
Plant and equipment	2,177	2,193
Office equipment	1,467	1,584
Furniture & fittings	243	199
Leased property, plant and equipment	3	2
Land Improvements (depreciable)	809	788
Buildings - Non Specialised	2,513	1,201
Other Structures	454	435
Infrastructure:		
- roads, bridges and footpaths	11,630	10,808
- storm water drainage	859	826
- water supply network	7,814	7,329
- sewerage network	5,333	4,877
Other Assets:		
- heritage collections	5	5
- library books	268	343
- other	65	66
Tip asset	13	13
Total depreciation	33,653	30,669

(e) Other expenses

Other expenses for the year including the following:

Mayoral fee		21
Councillors' fees		87
Councillors' (incl Mayor) expenses	2	102
Administrator Expenses	186	56
Insurance	1,098	1,051
Street lighting	1,054	1,007
Electricity and heating	2,121	1,891
Telephones	437	562
Contributions and donations	587	310
Bank charges and fees	164	151
Valuation fees	115	114
Payment to other Levels of Government	326	283
Total Other Expenses	6,090	5,635

Note 5 Gain or loss from disposal of assets

(continued)

Gain (or loss) on disposal of Property

Proceeds from disposal

Less: Carrying amount of assets sold

Gain (or loss) on disposal

Gain (or loss) on disposal of Plant and Equipment

Proceeds from disposal

Less: Carrying amount of assets sold

Gain (or loss) on disposal

Gain (or loss) on disposal of Real Estate assets held for sale

Proceeds from sales

Less: Cost of sales

Gain (or loss) on disposal

Gain (or loss) on disposal of Infrastructure Assets

Proceeds from disposal

Less: Carrying amount of infrastructure assets

Gain (or loss) on disposal

Gain (or loss) on disposal of Financial Assets

Proceeds from disposal

Less: Carrying value of financial assets

Gain (or loss) on disposal

Net gain (or loss) from disposal of assets

	Actual 2009 \$'000	Actual 2008 \$'000
	640	657
	336	252
	304	405
	1,240	1,724
	1,619	2,068
	-379	-344
	0	0
	0	0
	0	0
	0	0
	359	2,620
	-359	-2,620
	2,940	29,114
	3,000	29,367
	-60	-253
	-494	-2,812

Note 6(a) Cash and Cash equivalents

(continued)

	Actual 2009 \$'000	Actual 2008 \$'000
Cash at bank and on hand	248	162
Deposits at call	4,253	4,216
	4,501	4,378

Note 6(b) Investments

(continued)

The following financial assets are held as investments

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Financial assets at fair value through Profit and Loss	0	11,528	4,108	11,841
Held to maturity investments	0	0	0	0
Available for sale financial assets	11,626	7,736	6,629	27,695
Total	11,626	19,264	10,737	39,536
Financial assets at fair value through Profit and Loss				
At beginning of year	4,108	11,841	11,862	18,189
Transfer b/w Current & Non-Current			0	0
Adjustment on adoption of AASB132 & 139			0	0
Revaluation to Income statement		-313	0	-3,642
Additions				2,925
Disposals	-4,108		-7,754	-5,631
Reclassification				
At end of year	0	11,528	4,108	11,841
Comprising of:				
- Equity Linked Notes	0	11,528	0	11,841
- Managed Funds	0	0	4,108	0
- CDOs				
	0	11,528	4,108	11,841
Available for sale financial assets				
At beginning of year	6,629	27,695	5,438	44,107
Transfer b/w Current & Non-Current	9,962	-9,962	7,092	-7,092
Additions			10,000	0
Disposals	-4,713	-2,000	-15,729	0
Revaluation to equity	-252	-7,997	-172	-9,320
Reclassification				
At end of year	11,626	7,736	6,629	27,695
Comprising of:				
- Floating Rate Notes	6,494	4,352	5,923	11,156
- Mortgage Backed Securities	0	0	706	0
- Collateralised Debt Obligations	5,132	3,384	0	16,539
	11,626	7,736	6,629	27,695

Note 6(c) Restricted cash, cash equivalents and investments

(continued)

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	16,127	19,264	15,115	39,536
External restrictions	13,893	19,264	2,759	39,536
Internal restrictions	1,986		12,155	0
Unrestricted	248		201	
	16,127	19,264	15,115	39,536

Notes	Opening Balance \$'000	Transfers to restrictions \$'000	Transfers from restrictions \$'000	Closing balance \$'000
	External Restrictions			
Developer Contributions (A)	28,286	7,530	9,355	26,461
Unexpended Contributions (B)	402	284	225	461
Unexpended Grants (C)	1,617	3,567	1,096	4,088
Water (D)	2,945	-2,413	1,658	-1,126
Sewerage (E)	7,510	10,094	16,976	628
Broadwater Special Rate (F)	442	-90		352
Sanctuary Springs Special Rate (G)	23	2		25
Domestic Waste Management (H)	529	1,407	392	1,545
Caravan Parks (I)	73	194	12	255
Stormwater Management	468	128	128	468
Total external restrictions	42,295	20,703	29,842	33,157

Internal Restrictions

4WD Beach Access	56	21		77
Aerodrome	1,629	-786	1,222	-379
Canal Maintenance	159	41		200
CBD Townscape	687	1,072	450	1,309
Committed Works	6,976	9,685	15,125	1,536
Crematorium	157	91	40	208
Employee Leave Entitlements	1,493	446		1,939
Environmental Levy	493	563	755	301
Ferries	268	161	301	128
Lake Cathie Dredging	43	12		55
Major Building	543	190	47	686
Office Building & Equipment	896	1,360	1,254	1,002
Onsite Effluent		132		132
Plant Replacement	2,392	1,347	1,157	2,582
Public Halls	28		27	1
Tourism & Industry Promotion	262	6	147	121
Town Bands	16	7	2	21
Unrealised Profit/(Loss) on Investments	-6,409	-132		-6,541
Working Capital	2,466	722	4,580	-1,392
Total Internal Restrictions	12,155	14,938	25,107	1,986
Total Restrictions	54,450	35,641	54,949	35,143

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

(B) Contributions which are not yet expended for the purposes for which they were obtained.

(C) Grants which are not yet expended for the purposes for which they were obtained (see Note 1)

(D-H) Water, Sewerage, Broadwater Special Rate, Sanctuary Springs 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.

Note 7 Receivables

Purpose

Rates and annual charges
 Interest and extra charges
 User charges and fees
 Accrued revenues
 GST Receivable
 Government grants and subsidies
 Other

Total

Less: Provision for doubtful debts

Rates and annual charges
 User charges and fees

Total

Restricted receivables

Externally restricted receivables

Water Supply
 Sewerage Services
 Domestic waste management
 Newton special rate
 Broadwater special rate

Total externally restricted receivables

Unrestricted receivables

Total receivables

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Rates and annual charges	3,663	961	3,303	832
Interest and extra charges	146	419	101	363
User charges and fees	3,866	557	3,517	527
Accrued revenues	139		559	
GST Receivable	961		1,079	
Government grants and subsidies	3,868		2,198	
Other	2,565	52	308	46
Total	15,208	1,989	11,065	1,767
Less: Provision for doubtful debts				
Rates and annual charges	22		22	
User charges and fees	11		33	
	33		55	
Total	15,175	1,989	11,010	1,767
Restricted receivables				
Externally restricted receivables				
Water Supply	6,590	308	3,532	301
Sewerage Services	2,536	332	2,286	289
Domestic waste management	979	336	726	251
Newton special rate	0	0	0	0
Broadwater special rate	3	0	2	1
Total externally restricted receivables	10,108	976	6,546	842
Unrestricted receivables	5,067	1,013	4,464	925
Total receivables	15,175	1,989	11,010	1,767

Note 8 Inventories and other assets

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Inventories				
Real estate (refer below)	641	168	641	168
Stores and materials	564		649	
Total inventories	1,205	168	1,290	168
Inventories not expected to be realised within the next 12 months		168		168
Other assets				
Prepayments	708		731	
Total	708		731	
Real Estate Development				
Residential	91	20	91	20
Industrial/Commercial	550	148	550	148
Other properties				
Total real estate for resale	641	168	641	168
<i>(Valued at the lower of cost and net realisable value)</i>				
Represented by:				
Acquisition costs				
Development costs	641	168	641	168
Borrowing costs				
Total real estate for resale	641	168	641	168

Externally restricted inventories and other assets

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Water				
Stores and materials	334		372	
Total Water	334		372	
Sewerage				
Stores and materials	3		7	
Total Sewerage	3		7	
Total externally restricted inventories and other assets	337		379	
Unrestricted inventories and other assets	1,576	168	1,642	168
Total inventories and other assets	1,913	168	2,021	168

Note 9(a) Infrastructure, property, plant and equipment

By Asset Type	At 30 June 2008				Movements during year							At 30 June 2009			
	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000	Additions - Renewals \$'000	Additions - New Assets \$'000	WDV of Disposals \$'000	Depn and impairment \$'000	Transfers/ Adjustments \$'000	Prior Year Adjustments to Equity	Revaluation increments/(de- crements) (2) \$'000	At Cost \$'000	Fair Value \$'000	Accum depn and impairment \$'000	Written Down Value \$'000
WIP					1,650	49,798			56,123				107,571		107,571
Plant and equipment		28,905	13,972	14,933	417	2,947	1,620	2,177	16				29,945	15,429	14,516
Office equipment		12,242	9,269	2,973	48	1,233	4	1,467					13,487	10,704	2,783
Furniture and fittings		3,133	1,502	1,631		148		243					3,281	1,745	1,536
Leased plant and equipment		286	31	255				3					286	34	252
Land															
- Operational Land		72,959		72,959		3,538	333		-7,031		-1,179		67,954		67,954
- Community Land	10,342			10,342		247					-1,209	9,380			9,380
- Land Under Roads						60						60			60
- Non depreciable land improvements	4,080			4,080		45						4,125			4,125
Land Improvements - depreciable	28,691		13,133	15,558	25	160		809	-330			28,546		13,942	14,604
Buildings		111,765	38,392	73,373	9	1,864		2,513	-22,190		3,806		96,698	42,349	54,349
Other Structures	15,245		5,349	9,896	111	86		454	-222			15,221		5,804	9,417
Infrastructure															
- Roads, bridges, footpaths	455,744		80,185	375,559	774	7,161	13	11,630	-1,293			462,357		91,799	370,558
- Stormwater Drainage	43,946		7,752	36,194	2	368		859	-323			43,993		8,611	35,382
- Water Supply Network		449,383	123,864	325,519	928	1,252	346	7,814	-1,875		16,286		475,456	141,506	333,950
- Sewerage Network		262,052	90,886	171,166	244	2,298		5,333	-29,807		4,740		248,180	104,872	143,308
Other Assets															
- Heritage Collections	515		135	380				5				515		140	375
- Library Books	3,637		3,281	356		228		268				3,865		3,549	316
- Other	1,499		535	964		48		65	-26			1,520		599	921
Reinstatement, Rehabilitation, Restoration Assets (refer note 21)															
Tip Asset	223		52	171				13				223		65	158
Totals	563,922	940,725	388,338	1,116,309	4,208	71,481	2,316	33,653	-6,958		22,444	569,805	1,042,858	441,148	1,171,515

Notes: Excludes investment properties and non-current assets held for resale.

Additions to Buildings and Infrastructure are made up of Asset Renewals and New Assets. Renewals are defined as replacements of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

Note 9(b) Restricted infrastructure, property, plant and equipment

By Asset Type	Actual 2009 \$'000				Actual 2008 \$'000			
	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		221	31	190		205	16	189
Land								
- Operational Land		5,596		5,596		5,256		5,256
Buildings		7,019	1,858	5,161		6,638	1,617	5,021
Water Supply Infrastructure		475,456	141,506	333,950		449,383	123,864	325,519
Capital WIP		3,648		3,648				
Total water supply		491,940	143,395	348,545		461,482	125,497	335,985
Sewerage Services								
Plant and equipment		451	336	115		451	296	155
Office equipment		126	82	44		125	78	47
Land								
- Operational Land		6,333		6,333		6,182		6,182
Buildings		3,993	1,439	2,554		3,776	1,289	2,487
Sewerage Infrastructure		248,180	104,872	143,308		262,052	90,886	171,166
Capital WIP		53,316		53,316				
Total sewerage services		312,399	106,729	205,670		272,586	92,549	180,037
Domestic Waste Management								
Plant and equipment		208	136	72		208	116	92
Office equipment		48	23	25		23	23	
Furniture and fittings		35	26	9		35	23	12
Land								
- Operational Land		2,795		2,795		2,795		2,795
Land Improvements - non-depreciable	289			289	289			289
Land Improvements - depreciable	3,598		1,263	2,335	3,566		1,077	2,489
Buildings		1,881	729	1,152		1,767	659	1,108
Other Structures	1,007		178	829	1,007		150	857
Other	239		93	146	239		79	160
Cairncross Tip Asset	223		65	158	223		52	171
Capital WIP		144						
Total Domestic Waste	5,356	5,111	2,513	7,954	5,324	4,828	2,179	7,973
Caravan Parks								
Plant and equipment		36	33	3		36	32	4
Office equipment		8	8	-		8	8	-
Furniture and fittings		51	25	26		51	16	35
Land								
- Operational Land		1,700		1,700				
Land Improvements	667		326	341	667		304	363
Buildings		3,384	1,129	2,255		3,204	873	2,331
Other Structures	167		134	33	166		127	39
Other Assets	408		188	220	408		173	235
Capital WIP		28		28				
Total Caravan Parks	1,242	5,207	1,843	4,606	1,241	3,299	1,533	3,007
Total Restrictions	6,598	814,657	254,480	566,775	6,565	742,195	221,758	527,002

Note 10(a) Payables, borrowings and provisions

(continued)

	Actual 2009		Actual 2008	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods and services	7,324		5,395	
Payments received in advance	939		763	
Accrued expenses	708		702	
Accrued Interest	1,252		943	
S64 contributions due to PWD		8,624		8,624
Deposits and retentions	1,086		1,072	
Other	3		86	
Total payables	11,312	8,624	8,961	8,624
Current payables not expected to be settled within the next 12 months	476		451	
Borrowings				
Bank overdraft			121	
Loans - Secured (1)	6,501	85,192	6,441	71,435
Total borrowings	6,501	85,192	6,562	71,435
Provisions (2)				
Annual leave	2,961		3,061	
Sick leave	4,274		3,871	
Long service leave	6,610	270	6,101	240
Maternity leave	12		25	
Tip remediation (Note 21)		298		282
Total provisions	13,857	568	13,058	522
Current provisions not expected to be settled within the next 12 months	10,105		9,516	
Liabilities relating to restricted assets				
Domestic waste management	1,221	939	1,194	1,423
Water	2,988	16,204	3,057	16,921
Sewer	3,017	21,326	2,289	9,091
Total	7,226	38,469	6,540	27,435

Notes:

(1) Loans are secured over the rating income of Council

(2) Vested ELE is all carried as a current provision

Note 10(b) Description of and movements in provisions

(continued)

Class of provision	Opening balance \$'000	Increases in provisions \$'000	Payments \$'000	Re- measurement \$'000	Closing balance \$'000
Annual leave	3,061	2,170	2,270		2,961
Sick leave	3,871	1,733	1,330		4,274
Long service leave	6,341	1,681	1,142		6,880
Maternity leave	25	24	37		12
Tip remediation	265	33			298
Total	13,563	5,641	4,779	0	14,425

Note 11 Reconciliation of cash flow movements

(a) Reconciliation of cash assets

Total cash and cash equivalents

Less: Bank overdraft

Balances as per cash flow statement

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income statement

Add:

Depreciation and impairment

Impairment Losses

Increase in provision for leave entitlements

Increase in other provisions

Decrease in inventories

Decrease in other current assets

Increase in payables

Increase in accrued interest payable

Loss on sale of assets

Other

Less:

Decrease in provision for doubtful debts

Increase in receivables

Increase in other current assets

Decrease in payables

Non cash capital grants and contributions

Gain on sale of assets

Fair value adjustments to financial assets at fair value through profit and loss

Net cash provided by operating activities from Cash flow statement

Notes	Actual 2009 \$'000	Actual 2008 \$'000
6a	4,501	4,378
10	0	121
	4,501	4,257
	1,109	3,299
	33,653	30,669
	15,422	0
	829	143
	16	16
	85	14
	23	
	2,042	0
	309	533
	494	2,812
	53,982	37,486
	22	11
	4,364	1,421
		25
		319
	9,199	8,548
	-313	-3,642
	40,710	30,804

Note 11 Reconciliation of cash flow movements (continued)

(continued)

Notes	Actual 2009 \$'000	Actual 2008 \$'000
(c) Non-cash financing and investing activities		
PWD construction	5	6
Bushfire grants	483	426
S94 contributions in kind		
Dedications	8,711	8,116
Other		
	9,199	8,548
(d) Financing arrangements		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility (1)	7,500	500
Purchase Cards	500	500
Corporate Credit Cards	110	110
	8,110	1,110

Notes:

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

(2) Interest rates on overdrafts are variable while the rates for loans can be set for the period of the loan.

Note 12 Commitments for Expenditure

(continued)

(a) Capital commitments (exclusive of GST)

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 (exclusive of GST)

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 2009 \$'000	Actual 2008 \$'000
	174	15,911
	11,738	16,140
	0	0
	4,723	6,774
	16,635	38,825
	16,329	38,825
	306	0
	0	0
	16,635	38,825
	278	306
	18,058	23,058
	417	834
	3,008	962
	21,761	25,160
	7,242	6,739
	14,519	18,421
	0	0
	21,761	25,160

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 2009 \$'000	Actual 2008 \$'000
	12	16
	0	12
	0	0
	12	28
	767	0
	2,115	0
	0	0
	2,882	0

Note 13 Statement of performance measures

(continued)

	Amounts	Current year indicators	2008	2007	2006
1. Unrestricted current ratio					
Current assets less all external restrictions (1)	16,269	0.96 :1	2.34:1	2.17:1	2.79:1
Current liabilities less specific purpose liabilities (2)	16,862				
2. Debt service ratio					
Factors					
Debt Service Cost	12,548	13.32%	12.05%	11.50%	7.07%
Revenue from continuing operational excluding capital items and specific purpose grants/contributions	94,203				
3. Rate coverage ratio					
Factors					
Rates and annual charges	58,768	48.22%	49.91%	47.82%	43.49%
Revenue for continuing operations	121,869				
4. Rates and annual charges outstanding percentage					
Factors					
Rates and annual charges outstanding	5,167	8.11%	7.81%	7.30%	6.83%
Rates and annual charges collectible	63,705				
5. Building and infrastructure renewals ratio (3)					
Asset renewals - building and infrastructure	4,208	14.95%	83.89%	52.32%	
Depreciation, amortisation, & impairment - building and infrastructure	28,149				

Notes:

(1) Refer to Notes 6-8 inclusive.

(2) Refer to note 10(a)

(3) Refer Note 9a

Note 14 Investment properties

(continued)

	Actual 2009 \$'000	Actual 2008 \$'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

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 2008 revaluations were based on independent assessments made by a member of the Australian Property Institute.

(c) Contractual obligations

Refer to note 12 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(d) Leasing arrangements

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.

(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.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

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

Total

0	0

Note 15 Financial risk management

(continued)

Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

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

Council held the following financial instruments at balance date:

	Carrying Value		Fair value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets				
Cash and cash equivalents	4,501	4,378	4,501	4,378
Receivables	17,164	12,777	17,164	12,777
Financial assets at fair value through profit or loss	11,528	15,949	11,528	15,949
Available-for-sale financial assets	19,362	34,324	19,362	34,324
Held-to-maturity investments	0	0	0	0
Total	52,555	67,428	52,555	67,428
Financial Liabilities				
Payables	19,936	17,585	19,936	17,585
Borrowings	91,693	77,997	85,881	71,704
Total	111,629	95,582	105,817	89,289

Fair value is determined as follows:

* Cash and Cash Equivalents, Receivables, Payables - estimated to be the carrying value which approximates net market value.

* Borrowings, Held-to-Maturity Investments - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

* Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

Note 15 Financial risk management (continued)

(a) Cash and cash equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Finance Section manages the cash and investment portfolio, and in the future will do this with the assistance of independent advisors. Council has a investment policy which complies with the Local Government Act and Minister's Order. The policy is regularly reviewed by Council and an Investment Report is provided to Council monthly setting out the make-up and performance of the portfolio.

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

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

Another risk associated with cash and investments is credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees that comply with the Ministers' Investment Order. Council seeks advice from its independent advisors before placing any cash and investments.

	30.6.2009 \$'000		30.6.2008 \$'000
Impact of a 12% (1) movement in price of investments			
- Equity	2,323		4,119
- Income statement	1,383	(2)	1,914
Impact of a 1% (1) movement in interest rates on cash and investments			
- Equity			
- Income statement	236		479

Notes:

- (1) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen larger market movements for certain types of investments.
- (2) Maximum impact.

Note 15 Financial risk management (continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

	30.6.2009	30.6.2008
Percentage of Rates and Annual charges:		
- Current	29.48%	27.52%
- Overdue	70.52%	72.48%
Percentage of Other Receivables		
- Current	67.50%	89.44%
- Overdue	32.50%	10.56%

Note 15 Financial risk management (continued)

(continued)

(c) Payables
Borrowings

Payables and borrowings are both subject to liquidity risk - that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash flows of Council's Payable and Borrowings are set out in the Liquidity Sensitivity Table below:

2009 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	19,460	476		19,936	19,936
Borrowings	12,685	54,562	75,912	143,159	91,693
	32,145	55,038	75,912	163,095	111,629

2008 \$'000	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables	17,134	451	0	17,585	17,585
Borrowings	11,279	45,998	63,740	121,017	77,997
	28,413	46,449	63,740	138,602	95,582

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council may manage this risk by borrowing long term and fixing the interest rate over the life of the loan. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The following interest rates were applicable to Council's borrowings at balance date:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Overdraft			2.94%	121
Bank Loans - Fixed	6.72%	75,832	6.73%	59,802
- Variable (1)	5.36%	15,860	7.80%	18,074
		91,692		77,997

Note:

(1) The interest rate risk applicable to Variable Rate Bank Loans is not considered significant.

Note 16 Budget Variations

(continued)

Council's original budget was incorporated as part of the Corporate Plan adopted by the Council on 25 June 2008. 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 explained below.

Revenues

1. Interest and investment revenues

Interest and investment revenues were under budget by \$4,365K (U) 100.00%. Interest and other investment revenues actually recognised for the 2009 financial year has been influenced by movements in the fair value of investments downwards by \$313K. Council has also recognised an impairment loss of \$15m. The net of the income received and these two writedowns is shown as an expense in the income statement and there is therefore no income recognised against interest and investment revenues.

2. Other Revenues

Other revenues were over budget by some \$760K (F) 24.00%. Variations in amounts received for other revenues are detailed below.

* Economic Development Revenues	\$54K (F)	Greater focus on parking by Council
* Fine Revenue	\$115K (F)	Rangers
* Insurance Rebate	\$67K (F)	
* Library Charges	\$30K (F)	
* Laboratory	\$80K (F)	Increased private water testing
* Purchasing Rebate	\$50K (F)	
* Timbertown Revenues	\$69K (U)	
* The Glasshouse	\$364K (U)	Delayed Opening of Glasshouse
* Tourism Marketing	\$168K (F)	
* Waste Management Revenues	\$687K (F)	Increased steel sales from waste management depots. Sale of commercial waste business.

3. Grants and contributions provided for operating purposes

Actual amounts of grants and contributions received for operating purposes were over the original budget by some \$3,550K (F) 31.94%. Variations in the amounts received in grant funds are detailed below.

* Community Services & Education Grants	\$105K (U)	Deletion of Grant for Ageing in Place Received pre-payment of 2009/10
* Economic Affairs Grant/Contributions	\$198K (F)	Grant from Dept Tourism
* Employment/Training Grants	\$46K (F)	Received pre-payment of 2009/10
* Financial Assistance Grants	\$2,292K (F)	Grant.
* Fire Control Grants	\$10 (U)	
* Natural Resources Grants	\$584K (F)	

Note 16 Budget Variations (continued)

		Contribution to planning studies by
* Housing & Community Contribution	\$207K (F)	landowners
* Library Grants	\$21K (F)	
* Recreation & Cultural Grants	\$11K (F)	
* S94 Admin Levy	\$64K (U)	
* Waste Management Grant	\$304K (F)	Additional midwaste grant
* Water Supply Contribution to Flouridation	\$75K (F)	

Note 16 Budget Variations (continued)

4. Grants and contributions provided for capital purposes

Actual amounts of grants and contributions received for capital purposes were over the original budget by some \$3,122K (F) 15.74%. Variations in the amounts received in grant funds are detailed below.

		These grants were received late in the financial year as part of the Federal Governments stimulus package. Dedications were greater than expected.
* RLCIP Grants	\$1,162K (F)	
* Infrastructure Dedications	\$1,842K (F)	

Expenses

5. Borrowing Costs

The variation of \$3,327K (48.41%) (F) is due to the fact that Council has capitalised \$1,983K of the interest on the Glasshouse loan and \$512K of interest on sewer loans in line with the Local Government Code of Accounting Practice. The budget has been transferred to the capital budget for these items to cover this interest capitalisation. Council also budgets conservatively for all variable loans to ensure sufficient funds are available in the event of an interest rate rise.

6. Net gain on disposal of Assets

Council budgeted for a loss on disposal of assets of \$220K but actually incurred a loss of \$494K. This is due to the fact that two parcels of land that Council was expecting to sell were not sold at the 30 June 2009. In addition, the write off of infrastructure assets was not a great as budgeted for.

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.

Note 17 Statement of developer contributions

(a) Summary of developer contributions

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Balance before internal borrowings \$'000	Internal borrowings (to)/from (3) \$'000	Held as restricted asset (2) \$'000	Projected future contributions (3) \$'000	Projected cost of works still outstanding (3) \$'000	Projected over/under funding (3) \$'000
		Cash \$'000	Non cash \$'000								
Roads	-1,970	745		-175	491	-1,891	1,891		60,450	70,248	-11,689
Parking	2,673	125		139		2,937	-2,063	874	10,006	12,943	
Open Space	-435	525		-21	241	-172	172		51,130	58,239	-7,281
Community Facilities	1,688	231		90	962	1,047		1,047	42,353	47,685	-4,285
Other	1,753	62		61	104	1,772		1,772	977	2,749	
Administration Levy		56			56				2,331	2,846	-515
S94 under plans	3,709	1,744		94	1,854	3,693		3,693	167,247	194,710	-23,770
S94 not under plans	240	63		14	53	264		264			
S94A levies		94		3		97		97			
Planning agreements		265			31	234		234			
Section 64	24,337	4,293		960	7,417	22,173		22,173			
Totals	28,286	6,459		1,071	9,355	26,461		26,461	167,247	194,710	-23,770

Notes:

(1) Reconcilable with Note 3

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

(3) Projections are not applicable to S94A levies, Planning agreements and Section 64. Projections are based on undiscounted numbers.

(4) Cumulative balance of borrowing within and between plans - Note: General Fund Expenditure in Advance of Contributions is not to be shown here.

Note 17 Statement of developer contributions (continued)

(b) Contributions under plans

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Balance before internal borrowings \$'000	Internal borrowings (to)/from (4) \$'000	Held as restricted asset (2) \$'000	Projected future contributions (3) \$'000	Projected cost of works still outstanding (3) \$'000	Projected over/under funding (3) \$'000
		Cash \$'000	Non cash \$'000								
Roads	-1,970	745		-175	491	-1,891	1,891		60,450	70,248	-11,689
Parking	2,673	125		139		2,937	-2,063	874	10,006	12,943	
Open Space	-435	525		-21	241	-172	172		51,130	58,239	-7,281
Community Facilities	1,688	231		90	962	1,047		1,047	42,353	47,685	-4,285
Other	1,753	62		61	104	1,772		1,772	977	2,749	
Administration Levy		56			56				2,331	2,846	-515
Section 94A		94		3		97		97			
Totals	3,709	1,838		97	1,854	3,790		3,790	167,247	194,710	-23,770

(c) Contributions not under plans

	Opening Balance \$'000	Contributions received during year (1)		Interest & investment income earned during year \$'000	Expended during year \$'000	Balance before internal borrowings \$'000	Internal borrowings (to)/from (4) \$'000	Held as restricted asset (2) \$'000	Projected future contributions (3) \$'000	Projected cost of works still outstanding (3) \$'000	Projected over/under funding (3) \$'000
		Cash \$'000	Non cash \$'000								
Roads	25	38		3		66		66			
Parking											
Open Space	12	25		1		38		38			
Community Facilities	203			10	53	160		160			
Other											
Totals	240	63		14	53	264		264			

Note 18 Contingencies

(continued)

Contingent liabilities

1 Land Acquisition

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.

2 Superannuation

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. The Scheme has a deficit of assets over liabilities totalling \$290 million as at 30 June 2009. The Scheme administrators have advised Council that it will need to make significantly higher contributions from 2009/2010 to help reverse this deficit. However, they may call upon Council to make an immediate payment sufficient to offset this deficit at any time. As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliably quantified.

Contingent Assets

1 Infringement Notices/Fines

The result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt. Accordingly, at year end, there is a potential asset due to Council representing issued but not received infringement notices.

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

2 Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets. At present, the transitional period for deferral of recognition ends on 1 July 2008.

Note 19 Interests in joint ventures and associates

(continued)

(a) Jointly controlled assets

Current Assets

Cash and cash equivalents
Inventories

Total current assets

Non-current assets

Infrastructure, property, plant & equipment - at cost
Accumulated depreciation

Total non-current assets

Share of assets employed in joint venture

Actual 2009 \$'000	Actual 2008 \$'000
0	0
0	0
0	0

(b) Jointly controlled entity

Carrying amount of investment in partnership

Share in partnership's asset and liabilities

Current assets
Non-current assets

Total Assets

Current liabilities
Non-current liabilities

Total liabilities

Net assets

Share of partnership's revenue, expenses and results

Revenues
Expenses

Operating Result

Share of partnership's commitments

Lease commitments
Other commitments (other than for the supply of inventories)
Total expenditure commitments
Capital commitments

Actual 2009 \$'000	Actual 2008 \$'000
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0

Contingent liabilities relating to jointly controlled entity

Nil

Note 20 Revaluation reserves and retained earnings

Notes	Actual 2009 \$'000	Actual 2008 \$'000
(a) Retained earnings		
Movements in retained earnings were as follows:		
At beginning of year	855,043	855,588
Adjustment due to error for prior year (20(d))		-3,844
Land under roads derecognised	-2,388	
Net operating result for the year	1,109	3,299
At end of year	853,764	855,043
(b) Revaluation reserves		
Infrastructure, property, plant and equipment revaluation reserve	255,942	231,109
Available-for-sale investments revaluation reserve	-2,217	-9,389
	253,725	221,720
Movements:		
<i>Infrastructure, property, plant and equipment revaluation reserve</i>		
At beginning of year	231,109	172,406
Revaluations (Note 9)	24,833	58,703
At end of year	255,942	231,109
<i>Available-for-sale investments revaluation reserve</i>		
At beginning of year	-9,389	104
Revaluation - gross	-8,250	-9,493
Impairment losses transferred to the Income Statement	15,422	0
At end of year	-2,217	-9,389

(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.

Note 21 Results by Fund

Income Statement by Fund

Income from continuing operations

Revenue:

Rates and annual charges

User charges and fees

Interest and investment revenue

Other revenues

Grants and contributions provided for operating purposes

Grants and contributions provided for capital purposes

Other Income:

Net gain from the disposal of assets

Total income from continuing operations

Expenses from continuing operations

Employee benefits and on-costs

Borrowing costs

Materials and contracts

Depreciation and amortisation

Impairment

Other expenses

Interest and investment losses

Net Loss from the disposal of assets

Total expenses from continuing operations

Operating result from continuing operations

Net operating result for the year

Attributable to:

- Council

Net operating result for the year before grants and contributions provided for capital purposes

	Actual 2009 \$'000 General	Actual 2009 \$'000 Water	Actual 2009 \$'000 Sewer	Actual 2009 \$'000 Other
Income from continuing operations				
<i>Revenue:</i>				
Rates and annual charges				
User charges and fees				
Interest and investment revenue				
Other revenues				
Grants and contributions provided for operating purposes				
Grants and contributions provided for capital purposes				
<i>Other Income:</i>				
Net gain from the disposal of assets				
Total income from continuing operations	0	0	0	0
Expenses from continuing operations				
Employee benefits and on-costs				
Borrowing costs				
Materials and contracts				
Depreciation and amortisation				
Impairment				
Other expenses				
Interest and investment losses				
Net Loss from the disposal of assets				
Total expenses from continuing operations	0	0	0	0
Operating result from continuing operations	0	0	0	0
Net operating result for the year	0	0	0	0
Attributable to:				
- Council	0	0	0	0
Net operating result for the year before grants and contributions provided for capital purposes	0	0	0	0

Balance Sheet by Fund

ASSETS

Current assets

Cash and cash equivalents

Investments

Receivables

Inventories

Other

Non-current asset classified as held for sale

Total current assets

Non-current assets

Investments

Receivables

Inventories

Infrastructure, property, plant & equipment

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables

Borrowings

Provisions

Total current liabilities

Non-current liabilities

Payables

Borrowings

Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Retained earnings

Revaluation reserves

Council equity interest

Total equity

	Actual 2009 \$'000 General	Actual 2009 \$'000 Water	Actual 2009 \$'000 Sewer	Actual 2009 \$'000 Other
ASSETS				
Current assets				
Cash and cash equivalents				
Investments				
Receivables				
Inventories				
Other				
Non-current asset classified as held for sale				
Total current assets	0	0	0	0
Non-current assets				
Investments				
Receivables				
Inventories				
Infrastructure, property, plant & equipment				
Total non-current assets	0	0	0	0
Total assets	0	0	0	0
LIABILITIES				
Current liabilities				
Payables				
Borrowings				
Provisions				
Total current liabilities	0	0	0	0
Non-current liabilities				
Payables				
Borrowings				
Provisions				
Total non-current liabilities	0	0	0	0
Total liabilities	0	0	0	0
Net assets	0	0	0	0
EQUITY				
Retained earnings				
Revaluation reserves				
Council equity interest	0	0	0	0
Total equity	0	0	0	0

Note 22 Non-current assets classified as held for sale

(continued)

Land

Council has made the decision to dispose of surplus land. The land is currently available for sale and is actively being marketed.

Actual 2009 \$'000	Actual 2008 \$'000
7,392	0

Note 23 Events occurring after balance sheet date

(continued)

Events that occur after the reporting date of 30 June 2009, and up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report. Council has determined the date of the Auditors' Report as the appropriate "authorised for issue" date relating to this General Purpose Financial Report.

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

- (i) Events that have provided evidence of conditions that existed at the Reporting Date. These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2009.
- (ii) Events that have provided evidence of conditions that arose after the Reporting Date. These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2009 and which are only indicative of conditions that arose after 30 June 2009.

Subsequent to balance date Council disposed of one of the properties classified as held for sale in the balance sheet as at 30 June 2009. The sale has realised the asset's fair value which cannot be disclosed due to confidentiality requirements.

Note 24 Reinstatement, rehabilitation and restoration liabilities

(continued)

Tip Remediation

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 independent consultants. This figure is based on Council maintaining its current management approach which involves each cell being capped as it is filled. This \$600,000 has been discounted to its present value at an interest rate equivalent to the risk-free cost of borrowing to Council.

At Beginning of year

Amounts capitalised to Tip asset

- New disturbance
- Revised costs
- Revised life
- Revised discount rate

Amortisation of discount - expensed to borrowing costs

At end of year

Actual 2009 \$'000	Actual 2008 \$'000
282	265
16	17
298	282

**COUNCIL OF PORT MACQUARIE-HASTINGS
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDIT REPORT**

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the general purpose financial report of Port Macquarie-Hastings Council for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Port Macquarie-Hastings Council (the Council), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by the Administrator and Management.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the original budget information included in the income statement, cash flow statement, note 2(a), note 16 budget variation explanations and note 17 forecast information, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Qualified Audit Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for Qualified Auditor's Opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position as at 30 June 2009, the results of its operations and its cash flows for the year then ended; and
 - (iv) are in accordance with applicable Accounting Standards, Interpretations 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.

Basis for Qualified Auditor's Opinion

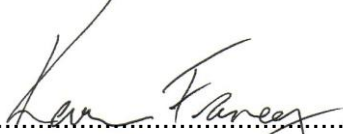
Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including, but not limited to Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2009, Port Macquarie-Hastings Council has an investment portfolio totalling \$35,391 million a material portion of which comprise securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totaling \$8.516 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. In many cases, values of these investments are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets and the downturn in the global economy creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$8.516 million of Council's total investment portfolio.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**



.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 27th day of October 2009.

Port Macquarie - Hastings Council

Special Purpose Financial Report for the year ended 30 June 2009

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Port Macquarie - Hastings Council

Special Purpose Financial Report for the year ended 30 June 2009

Statement by Administrator 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 Local Government Code of Accounting Practice and Financial Reporting.
- * The Department of Water & Energy 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 26th August 2009.



Garry Payne AM
Administrator



Andrew Roach
General Manager



Kerrie Avery
Responsible Accounting Officer

Port Macquarie - Hastings Council

Income Statement of Water Supply business activity for the year ended 30 June 2009

	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
Income from continuing operations			
Access charges	4,374	3,614	3,466
User charges	10,732	8,715	8,391
Fees	531	663	609
Interest	-3,842	159	309
Grants and contributions provided for non capital purposes	457	621	996
Other income	37	49	34
Total income from continuing operations	12,289	13,821	13,805
Expenses from continuing operations			
Employee benefits and on-costs	3,351	3,149	3,603
Borrowing costs	876	888	868
Materials and contracts	6,108	5,346	5,660
Depreciation & impairment	8,006	7,423	4,410
Water purchase charges			
Loss on sale of assets	357	740	207
Calculated taxation equivalents	97	41	41
Debt guarantee fee (if applicable)	359	380	404
Other expenses	718	667	712
Total expenses from continuing operations	19,872	18,634	15,905
Surplus (deficit) from continuing operations before capital amounts	-7,583	-4,813	-2,100
Grants and contributions provided for capital purposes	5,269	3,034	2,768
Surplus (deficit) from continuing operations after capital amounts	-2,314	-1,779	668
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	0	0
Surplus (deficit) after tax	-2,314	-1,779	668
Opening retained profits and reserves	329,298	318,545	197,119
Adjustments for amounts unpaid			
Taxation equivalent payments	97	41	41
Debt guarantee fees	359	380	404
Corporate taxation equivalent	0	0	0
Less: TER Dividend Paid			
Less: Surplus Dividend Paid			-258
Financial Instruments through equity	518	-1,185	46
Adjustment for previous period error		-1,176	-6,415
Revaluation Reserve	16,605	14,472	126,940
Closing retained profits and reserves	344,563	329,298	318,545
Return on Capital %	-1.92%	-1.20%	-0.60%
Subsidy from Council	13,683	10,483	5,990
Calculation of Dividend Payable			
Surplus (deficit) after tax	-2,314	-1,779	668
Less: Capital grants and contributions (excluding developer contributions)	1,670	1,586	959
Surplus for dividend calculation purposes	-3,984	-3,365	-291
Dividend calculated from surplus	0	0	0

Port Macquarie - Hastings Council

Income Statement of Sewerage business activity for the year ended 30 June 2009

	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
Income from continuing operations			
Access charges	14,599	12,526	11,216
User charges	733	688	660
Liquid trade waste charges			
Fees	153	64	157
Interest	-4,909	736	3,545
Grants and contributions provided for non capital purposes	330	330	308
Profit from the sale of assets			
Other income	162	154	51
Total income from continuing operations	11,068	14,498	15,937
Expenses from continuing operations			
Employee benefits and on-costs	3,886	4,063	3,637
Borrowing costs	703	293	209
Materials and contracts	7,429	6,556	6,293
Depreciation & impairment	5,478	4,964	3,825
Loss on sale of assets	29	90	
Calculated taxation equivalents	112	90	77
Debt guarantee fee (if applicable)	428	180	58
Other expenses	1,031	980	876
Total expenses from continuing operations	19,096	17,216	14,975
Surplus (deficit) from continuing operations before capital amounts	-8,028	-2,718	962
Grants and contributions provided for capital purposes	3,176	1,525	1,083
Surplus (deficit) from continuing operations after capital amounts	-4,852	-1,193	2,045
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	0	289
Surplus (deficit) after tax	-4,852	-1,193	1,756
Opening retained profits and reserves	197,154	198,329	153,081
Taxation equivalent payments	112	90	77
Debt guarantee fees	428	180	58
Corporate taxation equivalent	0	0	289
Less: TER Dividend Paid			
Less: Surplus Dividend Paid			-1,254
Financial Instruments through equity	2,431	-3,526	197
Revaluation Reserve	4,908	3,274	44,125
Closing retained profits and reserves	200,181	197,154	198,329
Return on Capital %	-3.56%	-1.35%	0.68%
Subsidy from Council	11,438	6,018	2,268
Calculation of Dividend Payable			
Surplus (deficit) after tax	-4,852	-1,193	1,756
Less: Capital grants and contributions (excluding developer contributions)	2,483	6	250
Surplus for dividend calculation purposes	0	0	1,506
Dividend calculated from surplus	0	0	753

Port Macquarie - Hastings Council

Income Statement of Waste Management business activity for the year ended 30 June 2009

	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
Revenue from continuing operations			
Access charges	9,324	9,485	7,958
User charges	3,395	3,665	2,996
Fees			
Interest	-383	90	106
Grants and contributions provided for non capital purposes	609	468	494
Profit from the sale of assets	5		
Other income	1,024	397	221
Total income from continuing operations	13,974	14,105	11,775
Expenses from continuing operations			
Employee benefits and on-costs	1,543	1,463	1,402
Borrowing costs	109	162	183
Materials and contracts	10,084	10,506	8,857
Depreciation & impairment	307	263	265
Loss on sale of assets		7	
Calculated taxation equivalents	41	40	44
Debt guarantee fee (if applicable)	50	57	73
Other expenses	36	54	62
Total expenses from continuing operations	12,170	12,552	10,886
Surplus (deficit) from continuing operations before capital amounts	1,804	1,553	889
Grants and contributions provided for capital purposes			
Surplus (deficit) from continuing operations after capital amounts	1,804	1,553	889
Less Corporate Taxation Equivalent (30%) [based on result before capital]	541	466	267
Surplus (deficit) after tax	1,263	1,087	622
Opening retained profits and reserves	7,036	5,152	4,146
Adjustments for amounts unpaid			
Taxation equivalent payments	41	40	44
Debt guarantee fees	50	57	73
Corporate taxation equivalent	541	466	267
Adjustment for previous period error		-43	
Financial Instruments through equity	-80		
Asset Revaluation	78	777	
Less: Dividend Paid		-500	0
Closing retained profits and reserves	8,929	7,036	5,152
Return on Capital %	24.05%	21.51%	14.17%
Subsidy from Council	0	0	0
Calculation of Dividend Payable			
Surplus (deficit) after tax	1,263	1,087	622
Less: Capital grants and contributions (excluding developer contributions)	0	0	0
Surplus for dividend calculation purposes	1,263	1,087	622
Dividend calculated from surplus	0	500	0

Port Macquarie - Hastings Council

Income Statement of The Glasshouse business activity for the year ended 30 June 2009

	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
Revenue from continuing operations			
Access charges			
User charges			
Fees			
Interest			
Grants and contributions provided for non capital purposes	126	3	50
Other income	137	127	65
Total income from continuing operations	263	130	115
Expenses from continuing operations			
Employee benefits and on-costs	749	465	303
Borrowing costs	193	884	1,532
Materials and contracts	1,089	1,151	368
Depreciation & impairment	22	23	19
Calculated taxation equivalents	62	56	114
Debt guarantee fee (if applicable)	983	904	686
Other expenses	30	11	9
Total expenses from continuing operations	3,128	3,494	3,031
Surplus (deficit) from continuing operations before capital amounts	-2,865	-3,364	-2,916
Grants and contributions provided for capital purposes	44	100	0
Surplus (deficit) from continuing operations after capital amounts	-2,821	-3,264	-2,916
Surplus (deficit) from all operational before tax			
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	0	0
Surplus (deficit) after tax	-2,821	-3,264	-2,916
Opening retained profits	-691	1,613	3,729
Adjustments for amounts unpaid			
Taxation equivalent payments	62	56	114
Debt guarantee fees	983	904	686
Corporate taxation equivalent	0	0	0
Less: Contribution from General Fund	14,571	0	0
Closing retained profits	12,104	-691	1,613
Return on Capital %	-5.51%	-9.64%	-9.35%
Subsidy from Council	3,835	3,879	3,212

Port Macquarie - Hastings Council

Balance Sheet of Water Supply business activity as at 30 June 2009

ASSETS

Current Assets

Cash and cash equivalents
Investments
Receivables
Inventories

Total current assets

Non Current Assets

Investments
Receivables
Infrastructure, property, plant and equipment

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables
Interest bearing liabilities
Provisions

Total current liabilities

Non-current liabilities

Payables
Interest bearing liabilities
Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Retained earnings
Reserves

Council equity interest

Total equity

	Actual 2009 \$'000	Actual 2008 \$'000
	1,363	590
	6,590	3,532
	334	372
	8,287	4,494
	6,615	8,456
	308	301
	348,545	335,985
	355,468	344,742
	363,755	349,236
	324	310
	710	755
	1,954	1,992
	2,988	3,057
	5,287	5,287
	10,856	11,585
	61	49
	16,204	16,921
	19,192	19,978
	344,563	329,258
	187,166	189,024
	157,397	140,234
	344,563	329,258
	344,563	329,258

Port Macquarie - Hastings Council

Balance Sheet of Sewerage business activity as at 30 June 2009

ASSETS

Current Assets

Investments
Receivables
Inventories

Total current assets

Non Current Assets

Investments
Receivables
Infrastructure, property, plant and equipment

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables
Interest bearing liabilities
Provisions

Total current liabilities

Non-current liabilities

Payables
Interest bearing liabilities
Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Retained earnings
Reserves

Council equity interest

Total equity

	Actual 2009 \$'000	Actual 2008 \$'000
ASSETS		
Current Assets		
Investments	4,187	1,681
Receivables	3,071	2,755
Inventories	3	7
Total current assets	7,261	4,443
Non Current Assets		
Investments	9,527	24,083
Receivables	2,066	2,558
Infrastructure, property, plant and equipment	205,670	180,037
Total non-current assets	217,263	206,678
Total assets	224,524	211,121
LIABILITIES		
Current liabilities		
Payables	444	244
Interest bearing liabilities	1,206	905
Provisions	1,367	1,140
Total current liabilities	3,017	2,289
Non-current liabilities		
Payables	3,337	3,337
Interest bearing liabilities	17,951	8,472
Provisions	38	21
Total non-current liabilities	21,326	11,830
Total liabilities	24,343	14,119
Net assets	200,181	197,002
EQUITY		
Retained earnings	148,772	153,085
Reserves	51,409	43,917
Council equity interest	200,181	197,002
Total equity	200,181	197,002

Port Macquarie - Hastings Council

Balance Sheet of Waste Management business activity as at 30 June 2009

ASSETS

Current Assets

Investments	
Receivables	
Total current assets	

Non Current Assets

Investments	
Receivables	
Infrastructure, property, plant and equipment	
Total non-current assets	
Total assets	

LIABILITIES

Current liabilities

Payables	
Interest bearing liabilities	
Provisions	
Total current liabilities	

Non-current liabilities

Interest bearing liabilities	
Provisions	
Total non-current liabilities	
Total liabilities	

Net assets

EQUITY

Retained earnings	
Reserves	
Council equity interest	
Total equity	

Actual 2009 \$'000	Actual 2008 \$'000
1,820	46
979	726
2,799	772
	656
336	252
7,954	7,973
8,290	8,881
11,089	9,653
4	5
502	521
715	668
1,221	1,194
635	1,137
304	286
939	1,423
2,160	2,617
8,929	7,036
8,153	6,259
776	777
8,929	7,036
8,929	7,036

Port Macquarie - Hastings Council

Balance Sheet of The Glasshouse business activity as at 30 June 2009

ASSETS

Current Assets

Cash and cash equivalents
Investments
Receivables
Inventories

Total current assets

Non Current Assets

Receivables
Infrastructure, property, plant and equipment

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables
Interest bearing liabilities
Provisions

Total current liabilities

Non-current liabilities

Payables
Interest bearing liabilities
Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Retained earnings
Reserves

Council equity interest

Total equity

	Actual 2009 \$'000	Actual 2008 \$'000
	90	6,702
Total current assets	90	6,702
	48,452	25,715
Total non-current assets	48,452	25,715
Total assets	48,542	32,417
	472	3,307
	1,273	891
	115	76
Total current liabilities	1,860	4,274
	34,567	28,834
	11	
Total non-current liabilities	34,578	28,834
Total liabilities	36,438	33,108
Net assets	12,104	-691
	12,104	-691
Council equity interest	12,104	-691
Total equity	12,104	-691

Port Macquarie - Hastings Council

Notes to the Special Purpose Financial Reports for the year ended 30 June 2009

Contents of the notes to the financial statements		Page
Note 1	Significant accounting policies	SP10
Note 2	Water Supply Business best practice management disclosure requirements	SP14
Note 3	Sewerage Business best practice management disclosure requirements	SP16

Note 1 Significant accounting for the year ended 30 June 2009

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, Accounting Standards Interpretations, 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 to 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:

Category 1 - Where annual turnover is greater than \$2 million

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.

Note 1 Significant accounting policies - continued

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.
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Category 2 - Where annual turnover is less than \$2 million

Name	Brief description of Activity
The Glasshouse	The Glasshouse is a multi-function community centre. It includes a 606 seat tiered theatre, Regional Gallery, Exhibition and performance studio, Meeting and conference rooms, Community workshop space, Café/Bar, Outdoor forecourt, Office space and retail space.

Monetary amounts

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 Water and Energy, 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 1.6cents for each \$ by which the taxable value exceeds \$359,000
Other Taxes for Charges	Adjusted accordingly
Payroll Tax	6% on salaries and wages in excess of \$600,000

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 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 business activities 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 Investments (rate of return)

The Policy statement requires that Councils with 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 Income Statement and Balance Sheet.

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 2009 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

Note 1 Significant accounting policies - continued

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 Water and Energy.

Note 2 Water Supply Business best practice management disclosure requirements

2009

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	455,714
(ii)	No of assessments multiplied by \$3/assessment	96,342
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	96,342
(iv)	Tax equivalents paid	0

Dividend from Surplus

(i)	50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	0
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	963,420
(iii)	Cumulative surplus before dividends for 3 years to 30 June 2009, less cumulative dividends paid for 2 years to 30 June 2008	0
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	0
(v)	Dividend paid from surplus	0

Required outcomes for 6 Criteria

Yes/No

(i)	Comple current Strategic Business Plan (including Financial Plan)	Yes
(ii)	Full cost recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 22 of the Best Practice Management Guidelines)</i>	Yes
	Complying Charges <i>(Item 2(b) in Table 1)</i>	Yes
	DSP with Commercial Developer Charges <i>(Item 2(e) in Table 1)</i>	Yes
	If Dual Water Supplies, Complying Charges <i>(Item 2(g) in Table 1)</i>	Yes
(iii)	Sound Water Conservation & Demand Management Implemented	Yes
(iv)	Sound Drought Management Implemented	Yes
(v)	Complete Performance Reporting Form <i>(by 15 September each year)</i>	Yes
(vi)	a. Complete Integrated Water Cycle Management Evaluation	Yes

Note 2 Water Supply Business best practice management disclosure requirements

b. Complete and implement Integrated Water Cycle Management Strategy

Yes

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) = Total Income (w13) - Grants for Acquisition of Assets (w11a) - Interest Income (w9)	\$ ('000)	21,468
NWI F4	Revenue from Residential Usage Charges (Water) = Income from residential Usage Charges (w6b) x 100 / (Income from residential usage charges (w6a) + Income from residential access charges (w6b))	%	74.48
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) = Written down current cost of system assets (w47)	\$ ('000)	348,354
NWI F11	Operating Cost (OMA) (Water) = Management Expenses (w1) + Operation and Maintenance Expenses (w2)	\$ ('000)	7,492
NWI F14	Capital Expenditure (Water) = Acquisition of fixed assets (w16)	\$ ('000)	3,952
NWI F17	Economic Real Rate of Return (Water) = [Total Income (w13) - Interest Income (w9) - Grants for acquisition of Assets (w11a) - Operating Cost(NWI F11) - Current cost depreciation (W3)] x 100 divided by Written Down Cost of system assets (w47) + Plant and Equipment (W33b)	%	1.7138
NWI F26	Capital Works Grants (Water) = Grants for Acquisition of Assets (w11a)	\$ ('000)	0

Notes

- References to w (eg. W12) refer to item numbers in Special Schedules Nos. 3 and 4 of each of Council's Annual Financial Statements.
- The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions.

The NWI indicators are to be calculated using the formulae shown above.

Note 3 Sewerage Business best practice management disclosure requirements

Calculation and payment of tax-equivalents

(i)	Calculated tax-equivalents	540,477
(ii)	No of assessments multiplied by \$3/assessment	82,047
(iii)	Amounts payable for tax-equivalents <i>(lessor of (i) and (ii))</i>	82,047
(iv)	Tax equivalents paid	0

Dividend from Surplus

(i)	50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	0
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	820,470
(iii)	Cumulative surplus before dividends for 3 years to 30 June 2009, less cumulative dividends paid for 2 years to 30 June 2008	753,000
(iv)	Maximum dividend from surplus <i>(least of (i), (ii) and (iii))</i>	0
(v)	Dividend paid from surplus	0

Required outcomes for 4 Criteria

	Yes/No
(i) Complete current Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 18 of the Best Practice Guidelines)</i>	Yes
Complying Charges (a) Residential <i>(Item 2(b) in Table 1)</i>	Yes
(b) Non-residential <i>(Item 2(b) in Table 1)</i>	Yes
(c) Trade Waste <i>(Item 2(d) in Table 1)</i>	Yes
DSP with Commerical Developer Charges <i>(Item 2(e) in Table 1)</i>	Yes
Liquid Trade Waste Approvals and Policy <i>(Item 2(f) in Table 1)</i>	Yes
(iii) Complete performance Reporting Form by <i>(15 September each year)</i>	Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation	Yes

Note 3 Sewerage Business best practice management disclosure requirements

b. Complete and implement Integrated Water Cycle Management Strategy

Yes

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) <i>= Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)</i>	\$ ('000)	19,232
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) <i>= Written down current cost of system assets (s48)</i>	\$ ('000)	205,511
NWI F12	Operating Cost (OMA) (Sewerage) <i>= Management Expenses (s1) + Operation and Maintenance Expenses (s2)</i>	\$ ('000)	9,490
NWI F15	Capital Expenditure (Sewerage) <i>= Acquisition of fixed assets (s17)</i>	\$ ('000)	26,270
NWI F18	Economic Real Rate of Return (Sewerage) <i>= [Total Income (s14) - Interest Income (s10) - Grants for acquisition of assets (s12a) - Operating Cost(NWI F12) - Current cost depreciation (s3)] x 100 divided by Written Down current cost (WDCC) of system assets (s48) + Plant and Equipment (s34b)</i>	%	2.073
NWI F27	Capital Works Grants (Sewerage) <i>= Grants for Acquisition of Assets (s12a)</i>	\$ ('000)	5
NWI F3	Total Income (Water & Sewerage) <i>= Total income (w13 +s14) + Gain/loss on disposal of assets (W14+S15) - Grants for acquisition of assets (w11a + s12a) - Interest income (w9 + s10)</i>	\$ ('000)	40,314
NWI F8	Revenue from Community Service Obligations (Water and Sewerage) <i>= Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)</i>	%	1.6843
NWI F16	Capital Expenditure (Water & Sewerage) <i>= Acquisition of fixed assets (w16 + s17)</i>	\$ ('000)	30,222
NWI F19	Economic Real Rate of Return (Water and Sewerage)	%	1.847

Note 3 Sewerage Business best practice management disclosure requirements

= $[Total\ Income\ (w13 + s14) - Interest\ Income\ (w9 + s10) - Grants\ for\ Assets\ (w11a + s12a) - Operating\ Cost(NWI\ F11 + NWI\ F12) - current\ cost\ depreciation\ (w3 + s3)] \times 100$ divided by $Written\ Down\ Replacement\ Cost\ of\ fixed\ assets\ (NWIF9 + NWIF10) + s33b$

National Water Initiative (NWI) Financial Performance Indicators - continued

NWI F20	Dividend (Water & Sewerage) = Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$ ('000)	0.000
NWI F21	Dividend Payout Ratio (Water & Sewerage) = Dividend (NWI F20) *100	%	0.000
NWI F22	Net Debt to Equity (Water and Sewerage) = $[Overdraft\ (w36 + s37) + Borrowings\ (w38 + s39) - Cash\ and\ investments\ (w30 + s31)] \times 100$ divided by $[Total\ Assets\ (w35 + s36) - Total\ Liabilities\ (w40 + s41)]$	%	1.658
NWI F23	Interest Cover (Water and Sewerage) = EBIT /NI Earnings before Interest and Tax (EBIT) = Operating result (w15a+s16a) + Interest expense (W4a +s4a) - Interest income (w9 + s10) - Gain/loss on disposal of assets (w14 +s15) + Miscellaneous expenses (W4b+w4c+s4b+s4c) Net Interest (NI) = Interest expense (w4a + s4a) - Interest income (w9 + s10) Note: If EBIT>0 AND Net interest <=0 THEN Interest cover is to be reported as ">100" If EBIT <0 THEN interest Cover = 0		0.977
NWI F24	Net Profit After Tax (Water and Sewerage) = $[Surplus\ before\ Dividends\ (w15a + s16a) - Tax\ Paid\ (1(iv)\ of\ Note\ 2 + 1(iv)\ of\ Note\ 3)]$	\$ ('000)	-7,166
NWI F25	Community Service Obligations (Water and Sewerage) = Grants for pensioner rebates (w11b + s12b)	\$ ('000)	679

- Notes
- References to s (eg. s12) refer to item numbers in Special Schedules Nos. 5 and 6 of each of Council's Annual Financial Statements.
 - The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions

The NWI indicators are to be calculated using the formulae shown above.



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

**COUNCIL OF PORT MACQUARIE-HASTINGS
SPECIAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDIT REPORT**

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the special purpose financial report of Port Macquarie-Hastings Council for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying special purpose financial report of Port Macquarie-Hastings Council (the Council), which comprises the balance sheet as at 30 June 2009, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by the Administrator and Management.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of Department of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the Council's financial reporting obligations. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such.

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

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Qualified Audit Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for Qualified Auditor's Opinion, the special purpose financial report of Port Macquarie-Hastings Council:

- (a) has been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) is consistent with the Council's accounting records; and
- (c) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2009 and the results of their operations for the year then ended.

Basis for Qualified Auditor's Opinion

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including, but not limited to Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2009, Port Macquarie-Hastings Council has an investment portfolio totalling \$35,391 million a material portion of which comprise securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totaling \$8.516 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. In many cases, values of these investments are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets and the downturn in the global economy creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities. These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$8.516 million of Council's total investment portfolio.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....

K. R. FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 27th day of October 2009.

Port Macquarie - Hastings Council

Special Schedules for the year ended 30 June 2009

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Port Macquarie - Hastings Council

Special Schedule No. 1

Net cost of services

for the year ended 30 June 2009

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	5,057		-72			5,129	
		5,057			-72		5,129
Adminstration							
Corporate Support	984		318	29		637	
Engineering and Works	2,519		10			2,509	
Other Support Services	-371		-23			-348	
		3,132			334		2,798
Public Order and Safety							
Contributions to Fire Service Levy	282		0			282	
Fire Protection - Other	1,147		331	486		330	
Animal Control	349		241			108	
Beach Control	79		14			65	
Enforcement of Local Govt Regs	692		328			364	
Emergency Services	204		-14	124		94	
Other	576		-5	1,613		-1,032	
		3,329			3,118		211
Health							
Administration and Inspection	0		0			0	
Immunisations	0		0			0	
Food Control	0		0			0	
Insect/Vermin Control	0		0			0	
Noxious Plants	343		179			164	
Health Centres	0		0			0	
Other	30		0			30	
		373			179		194
Community Services and Education							
Administration	821		0			821	
Child Care	0		-2			2	
Youth Services	63		38			25	
Aged and Disabled	153		55	86		12	
Aboriginal Services	57		0			57	
Other Community Services	591		112			479	
Education	0		0			0	
		1,685			289		1,396
Housing and Community Amenities							
Housing	25		-2			27	
Town Planning	2,844		1,137	359		1,348	
Domestic Waste Management	9,193		9,125			68	
Other Waste Management	1,740		4,872			-3,132	
Street Cleaning	349		-11			360	
Other Sanitation and Garbage	328		337			-9	
Urban Stormwater Drainage	1,578		617			961	
Environmental Protection	2,654		1,382	252		1,020	
Public Cemeteries	914		980			-66	
Public Conveniences	586		-45	160		471	
Other Community Amenities	20		-2		0	22	
		20,231			19,161		1,070

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	20,454		16,045	7,747		-3,338	
		20,454			23,792		-3,338
Sewerage Services	19,345		15,136	698		3,511	
		19,345			15,834		3,511
Recreation and Culture							
Public Libraries	2,543		262	40		2,241	
Museums	159		-4			163	
Art Galleries	115		-3			118	
Community Centres	39		-1	163		-123	
Public Halls	263		112	41		110	
Performing Arts	1,942		197	44		1,701	
Other Cultural Services	493		33	112		348	
Swimming Pools	790		-63			853	
Sporting Grounds	891		-102	177		816	
Parks and Gardens (Lakes)	3,422		20	1,151		2,251	
Other Sport and Recreation	439		52	20		367	
		11,096			2,251		8,845
Mining, Manufacturing and Constructions							
Building Control	1,952		1,361			591	
		1,952			1,361		591
Transport and Communications							
Urban Roads (UR): Local	5,212		911	6,973		-2,672	
Urban Roads: Regional	512		968	118		-574	
Sealed Rural Roads (SRR): Local	5,266		0	1,034		4,232	
Sealed Rural Roads: Regional	370		0			370	
Unsealed Rural Roads (URR): Local	4,908		0			4,908	
Unsealed Rural Roads: Regional	74		0			74	
Bridges Urban Roads: Local	12		-1	100		-87	
Bridges Unsealed Rural Roads: Local	142		0			142	
Bridges on Sealed Rural Roads: Local	940		0	319		621	
Footpaths	257		53	34		170	
Aerodromes	3,654		2,005			1,649	
Parking Areas	208		-127	125		210	
Bus Shelters and Services	43		-2	50		-5	
Water Transport	484		0			484	
Street Lighting	1,074		90			984	
Other	1,972		106	661		1,205	
		25,128			13,417		11,711

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	0		0			0	
Caravan Parks	1,129		1,279			-150	
Tourism and Area Promotion	2,422		1,192			1,230	
Industrial Development Promotion	613		285	41		287	
Real Estate Development	-93		-55			-38	
Other Business Undertakings	1,333		857	200		276	
		5,404			3,799		1,605
Totals - Functions		117,186			83,463		33,723
General Purpose Revenues (1)	3,574	3,574	38,406		38,406	34,832	34,832
Net operating result for the year (2)		120,760			121,869		1,109

Notes:

(1) Includes:

- * Rates and annual charges
- * Non-Capital General Purpose Grants
- * Interest on Investments
- * Gain/Loss on Disposal Financial Asset

(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 2009

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	Total		From revenue	Sinking Funds			Current	Non-current	Total
Loans (by source)											
Financial Institutions	6,392	71,011	77,403	20,260	6,420	-	-	6,006	6,392	84,851	91,243
Department of Lands	49	424	473	80	103	-	-	18	109	341	450
Total Loans	6,441	71,435	77,876	20,340	6,523	-	-	6,024	6,501	85,192	91,693
Total long term debt	6,441	71,435	77,876	20,340	6,523	-	-	6,024	6,501	85,192	91,693

Port Macquarie - Hastings Council

Special Schedule No. 2(b)

Statement of internal loans (Section 410(3) LGA 1993)

for the year ended 30 June 2009

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year Principal and interest	Principal outstanding at end of year
General			
Totals	2,739	667	2,269
Total long term debt	2,739	667	2,269

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	3.54%	2,008	285	962
Property (Land purchase Toorak Circuit, Port Macquarie) - Deposit	Sewer Fund	5/07/2003	3/05/2003	10	3/05/2013	3.92%	302	41	144
Property (Land purchase Toorak Circuit, Port Macquarie)	Sewer Fund	5/07/2003	30/06/2003	10	30/06/2013	4.09%	2,427	341	1,163
							4,737	667	2269

Port Macquarie - Hastings Council

**Special Schedule No. 3
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2009**

	Actual 2009 \$'000	Actual 2008 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	2,285	2,069
b. Engineering and Supervision	967	800
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	168	152
b. Maintenance expenses	71	32
Mains		
c. Operation expenses	50	76
d. Maintenance expenses	498	460
Reservoirs		
e. Operation expenses	28	41
f. Maintenance expenses	46	42
Pumping Stations		
g. Operation expenses (excluding energy costs)	315	267
h. Energy Costs	599	536
i. Maintenance expenses	559	617
Treatment		
j. Operation expenses (excluding chemical costs)	3	3
k. Chemical Costs	132	128
l. Maintenance expenses	124	129
Other		
m. Operation expenses	1,369	1,157
n. Maintenance expenses	278	326
o. Purchase of Water		
3 Depreciation		
a. System assets	8,006	7,423
b. Plant and equipment		
4 Miscellaneous Expenses		
a. Interest expenses	876	888
b. Other expenses	2,686	2,328
NCP Tax & Other Equivalents	456	421
5 Total expenses	19,516	17,895
Income		
6 Residential charges		
a. Access (including rates)	3,324	2,783
b. Usage charges	9,702	7,984
7 Non-residential charges		
a. Access (including rates)	1,050	831
b. Usage charges	1,030	732
8 Extra charges	68	45
9 Interest income	-3,909	115
10 Other income	568	712
11 Grants		
a. Grants for the acquisition of assets		
b. Grants for pensioner rebates	351	338
c. Other grants	16	43
12 Contributions		
a. Developer charges	3,599	1,448
b. Developer provided assets	733	556
c. Other contributions	1,027	1,269
13 Total Income	17,559	16,856
14 Gain or (loss) on disposal of assets	-357	-740
15 Operating result	-2,314	-1,779
15a Operating result (less grants for acquisition of assets)	-2,314	-1,779

Port Macquarie - Hastings Council

**Special Schedule No. 3 (continued)
Water Supply Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2009**

	Actual 2009 \$'000	Actual 2008 \$'000
B Capital transactions		
Non-operating expenditures		
16 Acquisition of Fixed Assets		
a. Subsidised Scheme		
b. Other new system assets	2,067	1,282
c. Renewals	1,885	2,199
d. Plant and equipment		
17 Repayment of Debt		
a. Loans	773	667
18 Transfer to sinking fund		
19 Totals	4,725	4,148
Non-operating funds employed		
20 Proceeds from the disposal of assets		
21 Borrowings utilised		
a. Loans	0	0
22 Transfer from sinking fund		
23 Totals	0	0
C Rates and charges		
24 Number of assessments		
a. Residential (occupied)	28,097	27,892
b. Residential (unoccupied ie vacant lot)	1,175	1,240
c. Non-residential (occupied)	2,669	2,628
d. Non-residential (unoccupied ie vacant lot)	173	151
	32,114	31,911
25 Number of ET's for which developer charges were received	438	261
26 Total amount of pensioner rebates	604	587

Port Macquarie - Hastings Council

Special Schedule No. 3 (continued) Water Supply - Cross-subsidies for the year ended 30 June 2009

	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 charges*?	Yes	
If yes go to 28a.		
If no, has Council removed land value from access charges (ie rates)		
* Such charges for both residential customers and non-residential customers comply with 3.2 of <i>Water Supply, Sewerage and Trade Waste Pricing Guidelines</i> , Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidies.		
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 2007/08 (page 47 of Guidelines)		<u>1,728</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>1,728</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 2009**

	Current \$'000	Non current \$'000	Total \$'000
ASSETS			
30			
Cash and investments			
a. Developer charges	960	6,615	7,575
b. Specific purpose grants			0
c. Accrued leave	403		403
d. Other			0
31			
Receivables			
a. Specific purpose grants	833		833
b. Rates and charges	608	53	661
c. Other	5,149	255	5,404
32			
Inventories	334		334
33			
Property, plant and equipment			
a. System assets		348,354	348,354
b. Plant and equipment		191	191
34			
Other Assets			
35	8,287	355,468	363,755
LIABILITIES			
36			
Bank overdraft			
37			
Creditors	324	5,287	5,611
38			
Borrowings			
a. Loans	710	10,856	11,566
39			
Provisions			
c. Other	1,954	61	2,015
40	2,988	16,204	19,192
41	5,299	339,264	344,563
EQUITY			
42			
Accumulated Surplus			187,166
Asset revaluation reserve			157,397
44			344,563
Note to system assets:			
45			
Current replacement cost of system assets			491,718
46			
Accumulated current cost depreciation of system assets			143,364
47			
Written down current cost of system assets			348,354

Port Macquarie - Hastings Council

Special Schedule No. 5 Sewerage Income Statement (Gross including Internal Transactions) for the year ended 30 June 2009

	Actual 2009 \$'000	Actual 2008 \$'000
A Expenses and Income Expenses		
1 Management Expenses		
a. Administration	1,963	1,826
b. Engineering and Supervision	974	958
2 Operation and Maintenance		
Mains		
a. Operation expenses	198	198
b. Maintenance expenses	271	390
Pumping Stations		
c. Operation expenses (excluding energy costs)	587	751
d. Energy Costs	367	356
e. Maintenance expenses	992	1,269
Treatment		
f. Operation expenses (excluding chemical , energy, effluent and biosolids management costs)	978	1,058
g. Chemical Costs	66	179
h. Energy Costs	584	520
i. Effluent management	0	63
j. Biosolids management	858	819
k. Maintenance expenses	926	1,001
Other		
l. Operation Expenses	726	389
m. Maintenance expenses		
3 Depreciation		
a. System assets	5,437	4,920
b. Plant and equipment	41	44
4 Miscellaneous Expenses		
a. Interest expenses	703	293
b. Other expenses	2,856	1,822
NCP Tax & Other Equivalents	540	270
5 Total expenses	19,067	17,126
Income		
6 Residential charges (including rates)	13,468	11,548
7 Non-residential charges		
a. Access (including rates)	1,131	978
b. Usage charges	733	688
8 Trade Waste Charges	16	17
9 Extra charges	84	80
10 Interest income	-4,988	656
11 Other income	299	201
12 Grants		
a. Grants for the acquisition of assets	5	6
b. Grants for pensioner rebates	328	318
13 Contributions		
a. Developer charges	693	718
b. Developer provided assets	2,478	801
c. Other contributions	2	12
14 Total Income	14,249	16,023
15 Gain or loss on disposal of assets	-29	-90
16 Operating result	-4,847	-1,193
16a Operating result (less grants for acquisition of assets)	-4,852	-1,199

Port Macquarie - Hastings Council

**Special Schedule No. 5 (continued)
Sewerage Income Statement
(Gross including Internal Transactions)
for the year ended 30 June 2009**

	Actual 2009 \$'000	Actual 2008 \$'000
B Capital transactions		
Non-operating expenditures		
17 Acquisition of Fixed Assets		
a. Subsidised Scheme	8	10
b. Other new system assets	25,847	8,517
c. Renewals	415	1,031
d. Plant and equipment	0	27
18 Repayment of Debt		
a. Loans	921	520
19 Transfer to sinking fund		
20 Totals	27,191	10,105
Non-operating funds employed		
21 Proceeds from the disposal of assets		
22 Borrowings utilised		
a. Loans	13,400	4,600
23 Transfer from sinking fund		
24 Totals	13,400	
C Rates and Charges		
25 Number of assessments		
a. Residential (occupied)	24,646	24,269
b. Residential (unoccupied ie vacant lot)	903	1,072
c. Non-residential (occupied)	1,627	1,803
d. Non-residential (unoccupied ie vacant lot)	173	151
	27,349	27,295
26 Number of ET's for which developer charges were received	193	205
27 Total amount of pensioner rebates	577	560

Port Macquarie - Hastings Council

Special Schedule No. 5 (continued)

Sewerage - Cross-subsidies for the year ended 30 June 2009

	Yes/No	Amount
D Best practice annual charges and developer charges		
28 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)		
* Such charges for both residential customers and non-residential customers comply with 3.2 of <i>Water Supply, Sewerage and Trade Waste Pricing Guidelines</i> , Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidises.		
b. Cross-subsidy to non-residential customers using less than allowance (page 25 of Guidelines)		_____
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)		_____
29 Developer charges		
a. Has council completed a sewerage Development Servicing Plan? **	Yes	_____
b. Total cross-subsidy in sewerage developer charges for 2008/09 (page 47 of Guidelines)		5,945
** 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		
30 Disclosure of cross-subsidies		
Total of cross-subsidies (27b+27c+27d+28b)		5,945

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 2009**

ASSETS

- 31 Cash and investments
 - a. Developer charges
 - b. Specific purpose grants
 - c. Accrued leave
 - d. Unexpended loans
 - e. Sinking fund
 - f. Other
- 32 Receivables
 - a. Specific purpose grants
 - b. Rates and charges
 - c. Other
- 33 Inventories
- 34 Property, plant and equipment
 - a. System assets
 - b. Plant and equipment

35 Other Assets

36 Total assets

LIABILITIES

- 38 Creditors
- 39 Borrowings
 - a. Loans
- 40 Provisions
 - c. Other

41 Total Liabilities

42 Net assets committed

EQUITY

- 43 Accumulated Surplus
- 44 Asset revaluation reserve

45 Total equity

Note to system assets:

- 46 Current replacement cost of system assets
- 47 Accumulated current cost depreciation of system assets
- 48 Written down current cost of system assets

	Current \$'000	Non current \$'000	Total \$'000
	3,560	9,527	13,087
	281		281
	100		100
	246		246
	833		833
	608	53	661
	1,630	2,013	3,643
	3		3
		205,511	205,511
		159	159
	7,261	217,263	224,524
	444	3,337	3,781
	1,206	17,951	19,157
	1,367	38	1,405
	3,017	21,326	24,343
	4,244	195,937	200,181
			148,772
			51,409
			200,181
			311,822
			106,311
			205,511

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 4c of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when infrastructure assets have decreased in fair value.

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. Exclude non-residential 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. Exclude residential 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.

Port Macquarie - Hastings Council

Special Schedule No. 7 Condition of Public works as at 30 June 2009 \$'000

Asset class	Asset category (as determined by Council)	Depn Expense % (specific rate or range of rates)	Depn expense \$'000	Cost \$'000	Valuation \$'000	Accum Depreciation and Impairment \$'000	WDV \$'000	Asset Condition (refer to details attached)	Estimated cost to bring to a satisfactory standard \$'000	Required annual maintenance \$'000	Current annual maintenance \$'000
		Per Note 1	Per Note 4	Per Note 9				Per Section 428(2d)			
Public Buildings	Infrastructure	1% to 10%	2,513	0	96,698	42,349	54,349	2	0	1,399	1,451
Public Roads	Infrastructure	1.25% to 10%	11,630	462,357		91,799	370,558	3	55,854	9,978	6,215
Water	Infrastructure	1.25% to 10%	7,814	0	475,456	141,506	333,950	3	1,305	3,250	2,920
Sewerage	Infrastructure	1.25% to 10%	5,333	0	248,180	104,872	143,308	3	0	4,590	4,590
Stormwater Drainage	Infrastructure	1.25% to 10%	772	38,764		7,889	30,875	3	11,311	867	720
Flood Mitigation	Infrastructure	1.25% to 10%	87	5,229		722	4,507	3	0	143	6
Total classes	Total – all assets		28,149	506,350	820,334	389,137	937,547		68,470	20,227	15,902

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.

The information provided for the "Public Roads" Asset Class has been based on condition data from surveys conducted over the 2000/01 period. A full condition rating of the road network has not been undertaken since 2001. For the years since 2002, the figures provided have been estimates based on the 2001 year, indexed using construction indices obtained from the NSW Department of Commerce.

Recently a random sample of the road network has been surveyed with the sample results used to represent the condition of the entire network. The results of the sample indicate the potential for a significantly higher level of estimated expenditure to bring road assets "to a satisfactory standard". This is due in part to recent changes in the weather patterns which has resulted in noticeable acceleration in the deterioration of some "roads assets". In addition, true costs of 'road projects' have increased at a rate greater than the general construction cost index applied.

A full and thorough asset condition assessment is underway and the results will be included as appropriate in Special Schedule 7 to the 2009/10 Financial Statements.

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 2009**

Recurrent budget

Income from continuing operations
Expenses from continuing operations
Operating result from continuing operations

Capital budget

New capital works (2)

Funded by:

- Loans
- Asset sales
- Reserves
- Grants/Contributions
- Recurrent revenue
- Other

	2009 (1) \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
Income from continuing operations	125	118	127	136	129
Expenses from continuing operations	108	113	117	122	125
Operating result from continuing operations	17	5	10	14	4
Capital budget					
New capital works (2)	76	54	44	53	55
Funded by:					
- Loans	29	10	1	5	4
- Asset sales					
- Reserves	10	16	14	12	14
- Grants/Contributions	23	26	25	32	31
- Recurrent revenue	14	2	4	4	6
- Other					
	76	54	44	53	55

Notes:

(1) From income statement

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