

Port Macquarie-Hastings Council

Financial Statements

Statement of Accounts

for the year ended 30 June 2014



PORT MACQUARIE
HASTINGS

Port Macquarie - Hastings Council

General purpose financial statements for the year ended 30 June 2014

Contents

	Page
General purpose financial statements	
Statement by Councillors and Management	1
Income statement	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Auditor's reports	

These financial statements are general purpose financial statements of Port Macquarie-Hastings Council and are 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 statements are authorised for issue by the Council on 31 October 2014. Council has the power to amend and reissue the financial statements.

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

Port Macquarie - Hastings Council

**General purpose financial statements
for the year ended 30 June 2014**

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

The attached General Purpose Financial Statements have been prepared in accordance with:

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

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

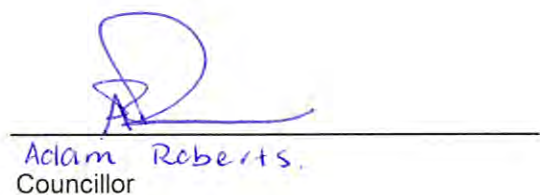
- * presents fairly the Council's operating result and financial position for the year, and
- * accords with Council's accounting and other records.

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 20 August 2014



Peter Besseling
Mayor



Adam Roberts
Councillor



Craig Swift McNair
General Manager



Monika Bretmaisser
Responsible Accounting Officer

Port Macquarie - Hastings Council

Income statement

for the year ended 30 June 2014

Budget (1) 2014 \$'000		Notes	Actual 2014 \$'000	Actual 2013 \$'000
Income from continuing operations				
Revenue:				
77,899	Rates and annual charges	3a	78,876	75,423
25,011	User charges and fees	3b	30,829	26,954
4,750	Interest and investment revenue	3c	7,037	9,156
4,367	Other revenues	3d	5,174	5,290
13,823	Grants and contributions provided for operating purposes	3e,f	11,270	15,854
17,854	Grants and contributions provided for capital purposes	3e,f	44,276	41,012
Other Income:				
0	Net share of interest in joint ventures and associates using the equity method	19	0	0
143,704	Total income from continuing operations		177,462	173,689
Expenses from continuing operations				
42,251	Employee benefits and on-costs	4a	41,187	36,706
6,679	Borrowing costs	4b	5,654	5,459
38,292	Materials and contracts	4c	35,996	36,011
40,718	Depreciation and amortisation	4d	45,235	46,059
0	Impairment	4d	0	84
10,678	Other expenses	4e	14,062	10,876
3,200	Net loss from disposal of assets	5	3,457	2,141
141,818	Total expenses from continuing operations		145,591	137,336
1,886	Operating result from continuing operations		31,871	36,353
0	Operating result from discontinued operations	24	0	0
1,886	Net operating result for the year		31,871	36,353
Attributable to:				
1,886	- Council		31,871	36,353
	- Non-controlling interests		0	0
1,886			31,871	36,353
-15,968	Net operating result for the year before grants and contributions provided for capital purposes		-12,405	-4,659

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

Statement of comprehensive income for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
Net operating result for the year - from Income statement		31,871	36,353
Other comprehensive income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	20b	78,730	99,600
Adjustment to correct prior period errors	20a		0
<i>Amounts which will be reclassified subsequently to operating result when specific conditions are met</i>			
Gain (loss) on revaluation of available-for-sale investments	20b	0	10
Realised available-for-sale investment gains recognised in revenue	20b	0	0
Total other comprehensive income for the year		<u>78,730</u>	<u>99,610</u>
Total comprehensive income for the year		<u>110,601</u>	<u>135,963</u>
Attributable to - Council		110,601	135,963
- Non-controlling interests		0	0

The above Statement of comprehensive income should be read in conjunction with the accompanying notes

Port Macquarie - Hastings Council

Statement of financial position as at 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	31,316	27,555
Investments	6b	74,966	68,014
Receivables	7	16,244	16,121
Inventories	8	994	954
Other	8	4	760
Non-current assets classified as held for sale	22	0	350
Total current assets		123,524	113,754
Non-Current Assets			
Investments	6b	45,963	45,728
Receivables	7	6,272	4,159
Inventories	8	168	168
Infrastructure, property, plant and equipment	9	2,161,971	2,082,044
Investments accounted for using equity method	19	0	0
Investment property	14	0	0
Intangible assets		0	0
Other	8	0	0
Total non-current assets		2,214,374	2,132,099
Total assets		2,337,898	2,245,853
LIABILITIES			
Current liabilities			
Payables	10	12,105	17,614
Borrowings	10	8,635	8,936
Provisions	10	16,499	15,622
Total current liabilities		37,239	42,172
Non-current liabilities			
Payables	10	0	7,147
Borrowings	10	76,489	83,936
Provisions	10	1,553	1,840
Total non-current liabilities		78,042	92,923
Total liabilities		115,281	135,095
Net assets		2,222,617	2,110,758
EQUITY			
Retained earnings	20	1,023,797	990,668
Revaluation reserves	20	1,198,820	1,120,090
Council equity interest		0	0
Non-controlling equity interest		0	0
Total equity		2,222,617	2,110,758

The above Statement of financial position should be read in conjunction with the accompanying notes.

Port Macquarie - Hastings Council

Statement of changes in equity

for the year ended 30 June 2014

		Actual 2014 \$'000				
	Notes Ref.	Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Total equity
Opening balance	20	990,668	1,120,090	0	2,110,758	2,110,758
Correction of errors	20	1,258			1,258	1,258
Changes in Accounting Policies	1(u)	0			0	0
Restated opening balance		991,926	1,120,090	0	2,112,016	2,112,016
Net operating result for the year		31,871			31,871	31,871
Other comprehensive income	20		78,730	0	78,730	78,730
Total comprehensive income	20	31,871	78,730	0	110,601	110,601
Closing balance	20	1,023,797	1,198,820	0	2,222,617	2,222,617

Actual 2013 \$'000				
Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Total equity
954,315	1,020,490	-10	1,974,795	1,974,795
			0	0
			0	0
954,315	1,020,490	-10	1,974,795	1,974,795
36,353			36,353	36,353
0	99,600	10	99,610	99,600
36,353	99,600	10	135,963	135,963
990,668	1,120,090	0	2,110,758	2,110,758

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

Port Macquarie - Hastings Council

Statement of cash flows

for the year ended 30 June 2014

Budget			Actual	Actual
2014			2014	2013
\$'000		Notes	\$'000	\$'000
Cash flows from operating activities				
Receipts:				
77,179	Rates and annual charges		78,986	75,720
25,547	User charges and fees		31,433	27,867
5,352	Investment revenue and interest		6,041	7,292
25,421	Grants and contributions		23,821	35,437
1,911	Deposits and retentions received		2,881	1,911
10,818	Other		11,573	10,314
Payments:				
-40,517	Employee benefits and on-costs		-40,727	-36,094
-47,084	Materials and contracts		-48,068	-34,078
-6,356	Borrowing costs		-5,742	-5,536
-891	Deposits and retentions refunded		-1,366	-944
-13,370	Other		-15,712	-12,846
38,010	Net cash provided by operating activities	11 (b)	43,120	69,043
Cash flows from investing activities				
Receipts:				
35,603	Sale of Investments	6	86,000	105,930
	Sale of real estate assets	5,8	844	184
	Sale of infrastructure, property, plant and equipment	5	738	1,779
	Other		0	0
Payments:				
-23,927	Purchase of investments	6	-93,000	-122,000
-60,256	Purchase of infrastructure, property, plant and equipment	9	-26,048	-40,517
	Purchase of real estate	8	-145	0
	Other			
-48,580	Net cash used in investing activities		-31,611	-54,624
Cash flows from financing activities				
Receipts:				
10,800	Borrowings and advances		1,000	11,189
Payments:				
-8,800	Borrowings and advances		-8,642	-7,729
2,000	Net cash provided by (or used in) financing activities		-7,642	3,460
-8,570	Net increase/(decrease) in cash and cash equivalents		3,867	17,879
27,366	Cash and cash equivalents at beginning of reporting period	11(a)	27,366	9,487
18,796	Cash and cash equivalents at end of reporting period	11	31,233	27,366

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Port Macquarie - Hastings Council

Notes to the financial statements for the year ended 30 June 2014

Contents of the notes to the financial statements

	Page
Note 1 Summary of significant accounting policies	7-18
Note 2(a) Functions or activities	19
Note 2(b) Components of functions or activities	20
Note 3 Income from continuing operations	21-25
Note 4 Expenses from continuing operations	26-28
Note 5 Gain or loss from disposal of assets	29
Note 6(a) Cash and cash equivalents	30
Note 6(b) Investments	31
Note 6(c) Restricted cash, cash equivalents and investments	32
Note 7 Receivables	33
Note 8 Inventories and other assets	34
Note 9(a) Infrastructure, property, plant and equipment	35
Note 9(b) Restricted infrastructure, property, plant and equipment	36
Note 10(a) Payables, borrowings and provisions	37
Note 10(b) Description of and movements in provisions	38
Note 11 Reconciliation of operating result to net cash movement from operating activities	39-40
Note 12 Commitments	41
Note 13 (a) Statement of performance measures - Consolidated results	42-43
Note 13 (b) Statement of performance measures - by Fund	44
Note 14 Investment properties	45
Note 15 Financial risk management	46-49
Note 16 Material budget variations	50-52
Note 17 Statement of developer contributions	53-54
Note 18 Contingencies	55
Note 19 Interests in joint ventures and associates	56
Note 20 Revaluation reserves and retained earnings	57
Note 21 Results by Fund	58-59
Note 22 Non-current assets classified as held for sale	60
Note 23 Events occurring after statement of financial position date	61
Note 24 Reinstatement, rehabilitation and restoration liabilities	62-63
Note 27 Fair Value Measurement	64-72

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board, The Local Government Act (1993) and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting. Port Macquarie-Hastings Council is a not for-profit entity for the purpose of preparing the financial statements.

(i) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(ii) Early adoption of standards

Port Macquarie-Hastings Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Critical accounting estimates and judgements

The preparation of financial statements 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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

*** Critical accounting estimates and assumptions**

Port Macquarie-Hastings Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Estimated fair values of infrastructure, property, plant & equipment.

(ii) Estimated tip remediation provisions.

(iii) The calculation of employee benefit provisions such as vesting sick leave and long service leave.

(iv) The estimated useful lives of infrastructure assets

*** Critical judgements in applying the entity's accounting policies****(i) Projected Section 94 Commitments**

Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

1. 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.

Note 1 Summary of significant accounting policies

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.

Revenue 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.

2. 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.

3. 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.

4. Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

5. Rent

Rental income is accounted for on a straight-line basis over the lease term.

6. Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(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
- * Broadwater special rate
- * Sanctuary Springs special rate

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Note 1 Summary of significant accounting policies**(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.

(f) Impairment of assets

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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an asset is not held principally for cash generating purposes and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

(g) Cash and cash equivalents

For Statement of cashflow 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 statement of financial position.

(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.

Note 1 Summary of significant accounting policies**(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 the 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 de-recognition.

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 Statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of financial position.

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 designated by Council as such on recognition or comprise financial assets held for trading which are acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

(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.

Note 1 Summary of significant accounting policies*(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 non-derivative trading financial assets 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.

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 or loss. Financial assets carried at fair value through profit or 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 or 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.

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

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. 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 assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Note 1 Summary of significant accounting policies**Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act and *S212 of the LG (General) Regulation 2005*. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial 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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed - for example equity linked notes - however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(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 balance date.

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

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

(m) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- * Operational Land (External Valuation).
- * Buildings - Specialised/Non Specialised (External Valuation).
- * Water/Sewerage Networks (External Valuation).
- * Plant and equipment (as approximated by depreciated historical cost).
- * Road assets - roads, bridges and footpaths (Current Internal Valuation, will be externally valued in the 2014/15 financial year)
- * Drainage assets - (Current Internal Valuation, will be externally valued in the 2014/15 financial year)
- * Bulk Earthworks - (Current Internal Valuation, will be externally valued in the 2014/15 financial year)
- * Community Land - (Internal Valuation)
- * Land Improvements - (Internal Valuation)
- * Other Structures - (Internal Valuation)
- * Other Assets - (Internal Valuation)

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - 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 relating to that asset class, the increase is first recognised in profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Note 1 Summary of significant accounting policies

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	5 to 10 years
Office furniture	10 to 20 years
Vehicles and road making equipment	5 to 8 years
Other plant and equipment	5 to 15 years
Buildings - masonry	50 to 100 years
Buildings - other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats etc	10 to 20 years
Dams and reservoirs	40 to 100 years
Bores	20 to 40 years
Reticulation pipes - PVC	40 years
Reticulation pipes - other	40 to 100 years
Pumps and telemetry	10 to 50 years
Drains	80 to 100 years
Culverts	50 to 80 years
Flood control structures	80 to 100 years
Sealed roads - Surface	20 years
Sealed roads - Structure	50 years
Unsealed roads	20 years
Bridges - Concrete	100 years
Bridges - Other	50 years
Bulk earthworks	infinite

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

Change in Accounting Estimate - Depreciation

As part of the buildings revaluation undertaken by an external valuer in 2012/13 an assessment of the residual values of buildings infrastructure assets was undertaken. The inclusion of a residual life on buildings assets has resulted in the depreciation expense reported for buildings infrastructure assets decreasing from 2013/14. The depreciation expense for 2012/13 was \$3.956m and this has reduced to \$2.496m in 2013/14.

(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.

Note 1 Summary of significant accounting policies

Borrowings are removed from the Statement of financial position 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) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and vesting sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long term employee benefit obligations

The liability for long service leave, vesting sick leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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) 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.

Note 1 Summary of significant accounting policies**Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of financial position, 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 ie. as an expense when it becomes payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119, because the assets to the Scheme are pooled together for all Councils.

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. As a result they have asked for significant increases in contributions from councils 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.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2014 was \$1,308,281. The last valuation of the Scheme performed by the Actuary has estimated that as at 30 June 2014 a deficit still exists. Effective from 1 July 2009, employers were required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$533,212. Councils expected contributions to the plan for the next annual reporting period is \$1,254,694.

Defined Contribution Plans

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

(t) Rounding of amounts

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

(u) Land under roads

Council has elected to recognise land under roads in accordance with AASB 1051. Council has used the "Englobo" valuation method for land under roads. This requires an average Site Value (SV) for each suburb within the Council area on a \$ per m2 to be calculated. The site value is "the value of the underlying land assuming that any existing improvements have not been made. It also assumes that the land is not encumbered by any lease, mortgage or other charge". Australian Property Institute, 2004. Adjustment factors for 65% and 25% respectively have been applied for Englobo value and access and carriageway rights and infrastructure (other users for carriageway reserve and infrastructure).

Land under roads acquired 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.

(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.

Note 1 Summary of significant accounting policies

Close down and restoration costs are a normal consequence of waste management facility operations, and the majority 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 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 date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

(w) Allocation between current and non-current 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 ensuing 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) 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.

(y) Crown Reserves

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

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

Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers for government.

Note 1 Summary of significant accounting policies**(z) 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, Council will recognise rural fire service assets including land, buildings, plant & vehicles.

(aa) 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 Statement of financial position.

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.

(bb) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Port Macquarie-Hastings Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The Council has not fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

(ii) AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective for council's 30 June 2015 financial statements).

There are no changes to reported financial position or performance from AASB 2013-3, however additional disclosures may be required.

(iii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2014 for not-for-profit entities).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint ventures. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Note 1 Summary of significant accounting policies

Council does not participate in any joint ventures and as a result AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is not impacted by this standard.

(iv) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] *(effective 1 January 2014)*

This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2(a) Functions or activities

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities 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
	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Governance		16	1	2,998	2,494	2,545	-2,998	-2,478	-2,544			1,905	
Administration	2,142	1,125	1,381	1,246	2,743	2,407	896	-1,618	-1,026	13	23	51,093	54,398
Public order & safety	1,581	1,380	1,675	4,080	3,673	3,791	-2,499	-2,293	-2,116	677	1,041	19,703	20,267
Health						1			-1			79	90
Environment	20,375	24,307	21,547	24,424	23,177	22,722	-4,049	1,130	-1,175	1,731	1,095	27,798	122,715
Community services & education	516	357	442	2,112	3,223	2,116	-1,596	-2,866	-1,674	343	422	5,478	6,707
Housing & community amenities	2,349	3,586	4,364	5,798	6,064	6,117	-3,449	-2,478	-1,753	162	150	132,356	27,960
Water supplies	24,227	36,504	25,907	22,285	23,998	22,455	1,942	12,506	3,452	1,706	4,034	509,250	496,118
Sewerage services	23,190	28,303	24,597	20,569	26,080	23,294	2,621	2,223	1,303	348	345	332,152	324,594
Recreation & culture	2,919	4,863	2,646	20,255	18,333	17,188	-17,336	-13,470	-14,542	1,014	597	178,234	171,147
Mining, manufacturing & construction	1,035	1,508	1,077	2,469	2,263	2,245	-1,434	-755	-1,168			267	292
Transport & communication	14,138	25,547	37,556	32,454	31,469	29,379	-18,316	-5,922	8,177	9,562	9,592	1,069,001	1,010,740
Economic affairs	1,167	1,439	1,707	3,128	2,074	3,254	-1,961	-635	-1,547	89	116	10,582	10,825
Total functions & activities	93,639	128,935	122,900	141,818	145,591	137,514	-48,179	-16,656	-14,614	15,645	17,415	2,337,898	2,245,853
General Purpose Income (1)	50,065	48,527	50,789			-178	50,065	48,527	50,967	5,158	9,394		
Totals	143,704	177,462	173,689	141,818	145,591	137,336	1,886	31,871	36,353	20,803	26,809	2,337,898	2,245,853

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 or activities

(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.

Administration

Which includes corporate support and other support services.

Public order and safety

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

Health

Administration and inspection, immunisations, food control, health centres, other.

Environment

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

Community services and education

Administration and education, social protection, aged persons and disabled, children's services.

Housing and community amenities

Public cemeteries, public conveniences, street lighting, town planning, other community amenities.

Water Supplies

Sewerage Services

Recreation and culture

Public libraries, museums, art galleries, community centres and halls, performing arts venues, other performing arts, other cultural services, sporting grounds and venues, swimming pools, 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, water transport, RMS works, 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

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
(a) Rates and annual charges		
Ordinary Rates		
Residential	31,609	30,336
Farmland	2,194	2,136
Business	6,753	6,541
Total ordinary rates	40,556	39,013
Special Rates		
Broadwater Special Rate	91	88
Sanctuary Springs Special Rate	22	21
Total special rates	113	109
Annual Charges (pursuant to s.496, 496A, 496B, 501 & 611)		
Domestic waste management services	11,340	10,812
Water supply	6,140	5,726
Sewerage services	19,325	18,365
Waste management services (not domestic)	638	650
Stormwater Drainage	734	727
Reclaimed Water	30	21
Total annual charges	38,207	36,301
Total rates and annual charges	78,876	75,423

Council has used 2012 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 2014
(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
(b) User charges and fees		
User charges <i>(pursuant to s.502)</i>		
Water supply services	13,301	12,319
Sewerage services	939	905
Waste management services (not domestic)	5,924	4,014
Onsite Effluent	169	160
Reclaimed Water	156	74
Total user charges	20,489	17,472
Fees		
Administration	255	303
Animal registration	124	79
Beach permits	33	25
Caravan parks	0	167
Certificate income	299	216
Crematorium/cemeteries	1,157	1,286
Health	71	70
Private Works	317	18
s.611	60	55
Section 68 permits	570	422
Sewerage Services	14	10
Transport & communications	4,727	4,652
Planning & building - Regulatory	2,234	1,710
Water meter installations	357	379
Water supply fees	122	90
Total fees	10,340	9,482
Total user charges and fees	30,829	26,954

Note 3 Income from continuing operations (continued)

Notes to the financial statements

30 June 2014

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
(c) Interest and Investment revenue (losses) ⁽¹⁾		
Interest and Dividends		
- Overdue rates and charges ⁽²⁾	541	724
- Cash and Investments	6,295	6,088
Fair value adjustments		
- Investments at fair value through the profit and loss	201	229
- Investments classified as available for sale		2,115
Premiums recognised on financial instrument transactions		
- Interest free loan from State Government		0
Total interest and investment revenue (losses) ⁽¹⁾	7,037	9,156
(d) Other revenues		
Administration	186	241
Animal Control	33	33
Caravan Parks	206	256
Community services	1	3
Economic affairs	264	312
Environment	190	162
Fines	669	640
Housing and community amenities	176	67
Information/document sales	67	52
Legal Costs Settlement	0	720
Library charges	117	109
Public order and safety	4	6
Recreation and cultural facilities	106	100
Rental of council facilities	733	608
Sewerage services	15	21
Transport and communications	53	4
The Glasshouse	1,154	1,019
Waste management revenues	1,117	851
Water supplies	83	86
Total other revenues	5,174	5,290

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.

(2) Includes interest from special purpose rates

Note 3 Income from continuing operations (continued)

	Operating		Capital	
	Actual	Actual	Actual	Actual
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(e) Grants				
General purpose (Untied)				
Financial assistance	4,323	8,560		
Pensioners' rates subsidies:				
- General	835	834		
Special purpose				
Pensioners' rate subsidies:				
- Water	370	368		
- Sewer	348	344		
- Domestic waste management	308	299		
Airport			5,001	6,505
Administration		3		
Community services and education	324	443	86	11
Economic affairs	90	113		
Employment and training programmes	51	30		
Health	175	147		
Housing and community amenities	394	235	34	1
Library	140	142		
NSW Rural Fire Service	553	494	166	519
The Glasshouse	35	125		
Recreation and culture	5	3	743	361
Roads and bridges	807	150	3,749	2,940
Street lighting	100	100		
Waste management	833	415		
Water supplies			1,333	3,667
Total grants	9,691	12,805	11,112	14,004
Comprising:				
- Commonwealth funding	4,810	8,900	8,886	9,328
- State funding	4,882	3,788	2,225	4,671
- Other funding	-1	117	1	5
	9,691	12,805	11,112	14,004
(f) Contributions				
Developer Contributions				
- Section 94	198	76	4,503	1,974
- Section 94A			201	137
- Planning agreements			595	1,606
- Deferred development contributions			2,696	
RMS contributions (Regional/Local, Block Grant)	1,249	2,735		
Section 64:				
- Water			2,560	-245
- Sewerage			1,503	889
- Write off of S64 liability (See note 3g)			7,147	
Dedications			13,680	22,541
Community services and education	7	9		
Economic affairs	11	71		
Environmental Protection		11		
Housing and community amenities	39	53		
Library			7	
Public order and safety		11		
Recreation and culture	70	58	7	28
Street Lighting	5	21		
The Glasshouse		4		
Transport and communications			-5	78
Water supplies			270	
Total contributions	1,579	3,049	33,164	27,008
Total grants and contributions	11,270	15,854	44,276	41,012

Note 3 Income from continuing operations (continued)

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:		
Grants and contributions recognised in the current period which have not been spent	10,543	14,142
Less:		
Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period	9,484	10,793
Net increase/(decrease) in restricted grants and contributions	1,059	3,349

(h) Significant Items

The following items have impacted Council's operating result.

Available for Sale

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. Thereafter any fair value gains or losses are immediately recognised in the income statement. The increase in fair value attributable to impaired assets classified as available for sale for the financial year and recognised in the income statement is:

0 2,116

Write off of S64 Liability

In 1996 Council created a liability for S64 contributions due to the Public Works Department in respect of its share of S64 contributions received by Council for subsidised water and sewerage schemes. A proportion of the water supply liability was paid out in 2001. A detailed investigation has taken place on the remaining liabilities for both water and sewerage and with the agreement from the NSW Office of Water both of the remaining liabilities have been written off.

7,147 0

Note 4 Expenses from continuing operations

	Actual 2014 \$'000	Actual 2013 \$'000
(a) Employee benefits and on costs		
Salaries and wages	32,065	28,071
Travelling	1,693	1,860
Employee leave entitlements	5,160	4,437
Superannuation	3,910	3,549
Workers' compensation insurance	710	520
Fringe Benefits Tax	98	109
Payroll Tax	470	434
Training costs (excluding Salaries)	396	165
Other	55	94
Less: Capitalised costs	-3,370	-2,533
Total employee costs expensed	41,187	36,706
Number of FTE employees	490	459
(b) Borrowing Costs		
Interest on Loans	5,632	5,635
Amortisation of discounts and premiums:		
- Tip remediation	22	21
Less: Capitalised costs	0	-197
Total borrowing costs expensed	5,654	5,459

Note 4 Expenses from continuing operations

	Actual 2014 \$'000	Actual 2013 \$'000
(c) Materials and contracts		
Raw materials and consumables	23,233	21,380
Contractor and consultancy costs	7,745	9,627
- Domestic waste management contract	4,255	4,525
Remuneration of Auditors (1)	83	74
Legal fees:		
- Planning and development	611	342
- Other	69	63
Total materials and contracts	35,996	36,011

Note 1:

During the year the following fees were paid or payable for services provided by the Council's auditor - Thomas Noble & Russell

(i) Audit and other assurance services

Audit and review of financial statements	70
Other assurance services	
- Audit of grant acquittals	5
- Review of Section 355 Committees	8
Total remuneration for audit and other assurance services	83

(ii) Other services

Advice and assistance	
Total remuneration for other services	0
Total remuneration of Thomas Noble & Russell	83

Note 4 Expenses from continuing operations (continued)

(continued)

	Depn/Amor Actual 2014 \$'000	Depn/Amor Actual 2013 \$'000	Imp (1) Actual 2014 \$'000	Imp Actual 2013 \$'000
(d) Depreciation, amortisation and impairment				
Plant and equipment	2,337	2,286		
Office equipment	1,247	1,454		
Furniture & fittings	467	465		
Leased property, plant and equipment	3	2		
Land Improvements (depreciable)	498	448		
Land				
Buildings - Non Specialised	49	25		
- Specialised	2,448	3,931		
Other Structures	229	228		
Infrastructure:				
- roads, bridges and footpaths	12,937	12,427		
- storm water drainage	2,248	2,079		
- water supply network	10,535	10,870		
- sewerage network	9,314	9,102		
- swimming pools	52	51		
- Other open space/recreational assets	2,485	2,352		
Other Assets:				
- heritage collections	10	5		
- library books	287	247		
- other	76	74		
Tip asset	13	13		
Assets held for sale				84
Total depreciation and total impairment	45,235	46,059	0	0

	Actual 2014 \$'000	Actual 2013 \$'000
--	--------------------------	--------------------------

(e) Other expenses

Other expenses for the year including the following:

Bad & Doubtful Debts	4	13
Debtor for NSW Office of Water written off	1,528	34
Mayoral fee	55	41
Councillors' fees	50	44
Councillors' (incl Mayor) expenses	140	102
Administrator Expenses		26
Insurance	1,320	1,271
Street lighting	1,023	1,364
Electricity and heating	3,726	4,070
Telephones	450	408
Contributions and donations	1,425	593
Bank charges and fees	289	243
Valuation fees	216	199
Payment to other Levels of Government	3,836	2,468
Total other expenses from continuing operations	14,062	10,876

Note 1:

Impairment losses for revalued assets are to be fully offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement. Show gross impairment and the amount of impairment offset against asset revaluation reserves.

30 June 2014

Note 5 Gain or loss from disposal of assets

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	80	429
Less: Carrying amount of assets sold	338	432
Gain (or loss) on disposal	-258	-3
Gain (or loss) on disposal of Plant and Equipment		
Proceeds from disposal	658	1,350
Less: Carrying amount of assets sold	814	1,392
Gain (or loss) on disposal	-156	-42
Gain (or loss) on disposal of Real Estate assets held for sale		
Proceeds from sales	844	184
Less: Cost of sales	767	165
Gain (or loss) on disposal	77	19
Gain (or loss) on disposal of Infrastructure Assets		
Proceeds from disposal	0	0
Less: Carrying amount of infrastructure assets	3,120	2,550
Gain (or loss) on disposal	-3,120	-2,550
Gain (or loss) on disposal of Financial Assets		
Proceeds from disposal	86,000	105,930
Less: Carrying value of financial assets	86,000	105,495
Gain (or loss) on disposal	0	435
Net gain (or loss) from disposal of assets	-3,457	-2,141

30 June 2014

Note 6(a) Cash and cash equivalents

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
Cash at bank and on hand	26	24
Deposits at call (1)	31,290	27,531
	31,316	27,555

Note:

(1) This includes term deposits maturing within 3 months

Note 6(b) Investments

(continued)

The following financial assets are held as investments

	Actual 2014		Actual 2013	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through Profit and Loss	2,966	963	3,014	3,728
Held to maturity investments	72,000	45,000	65,000	42,000
Available for sale financial assets (1)	0	0	0	0
Total	74,966	45,963	68,014	45,728
Financial assets at fair value through Profit and Loss				
At beginning of year	3,014	3,728	5,914	6,513
Revaluation to Income statement	-14	201	86	229
Disposals	-3,000		-6,000	0
Transfer b/w Current & Non-Current	2,966	-2,966	3,014	-3,014
At end of year	2,966	963	3,014	3,728
Comprising of:				
- Equity Linked Notes	2,966	963	0	3,728
- Floating Rate Notes		0	3,014	0
	2,966	963	3,014	3,728
Held to maturity investments				
At beginning of year	65,000	42,000	54,000	25,000
Additions	90,000	3,000	105,000	17,000
Disposals (Redemption)	-83,000		-94,000	0
Transfer b/w Current & Non-Current			0	0
At end of year	72,000	45,000	65,000	42,000
Comprising of:				
- Term Deposits	72,000	45,000	65,000	42,000
	72,000	45,000	65,000	42,000
Available for sale financial assets				
At beginning of year	0	0	1,990	1,379
Disposals	0	0	-3,495	-2,000
Transfer b/w Current & Non-Current	0	0	-621	621
Revaluation to equity	0	0	10	0
Revaluation to income statement	0	0	2,116	0
At end of year	0	0	0	0
Comprising of:				
- Floating Rate Notes	0	0	0	0
- Collateralised Debt Obligations	0	0	0	0
	0	0	0	0

Note:

(1) Refer to Note 27 Fair value measurement for information regarding the fair value of investments held.

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

(continued)

	Actual 2014		Actual 2013	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Total cash, cash equivalents and investments	106,282	45,963	95,569	45,728
External restrictions	59,268	45,963	50,885	45,728
Internal restrictions	42,951		37,008	
Unrestricted	4,063		7,676	
	106,282	45,963	95,569	45,728

	Opening Balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Notes	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Developer Contributions (A)	38,766	10,609	5,255	43,432
Unexpended Contributions (B)	360	186	135	411
Unexpended Grants (C)	13,111	2,371	7,523	7,959
Water (D)	15,215	9,689	3,868	21,036
Sewerage (E)	21,126	5,069	5,212	20,983
Employee Leave Entitlements (Water, Sewerage, Waste)	1,289		36	1,253
Broadwater Special Rate (F)	924	161	5	1,080
Sanctuary Springs Special Rate (G)	107	28	113	22
Domestic Waste Management (H)	5,646	4,873	1,393	9,126
Stormwater Management	69		140	-71
Total external restrictions	96,613	32,986	23,680	105,231

Internal Restrictions

Airport	1,562	360	775	1,147
Canal Maintenance	406	60		466
PM Town Centre Masterplan	3,880	1,205	1,321	3,764
Committed Works	6,801	2,471	3,819	5,453
Crematorium & Lawn Cemetery	968	247	12	1,203
Council Election	0	100		100
Emerging Priority Works	0	1,800		1,800
Crown Reserves	511	206	105	612
Cultural Activities	103	65		168
Employee Leave Entitlements	3,184	831		4,015
Environmental Levy	901	704	669	936
Ferries Maintenance	192	296		488
HACC Greenmeadows	6	3		9
Lake Cathie Dredging	84	13	2	95
Maintenance of 4WD Access Points	168	34		202
Major Buildings Renewals	585	230	119	696
Office Building & Equipment	2,155	1,224	451	2,928
Onsite Effluent	356	93	4	445
PM - Handa Sister City		5		5
Plant Replacement	2,831	2,667	1,529	3,969
Property Development	571	682	42	1,211
Public Halls	41		36	5
Road Environmental Works		100		100
Street Lighting	511	275		786
Surf Clubs	258	94		352
Tourism & Industry Promotion	313	288	45	556
Town Bands	50	8		58
Town Beach Sand Nourishment	60	30		90
Transport Infrastructure Renewal	3,207	480		3,687
The Glasshouse	407	110		517
Wauchope Heated Indoor Pool	1,299	50		1,349
Working Capital	5,598	596	562	5,632
Works Associated with Developments		107		107
Total Internal Restrictions	37,008	15,434	9,491	42,951
Total Restrictions	133,621	48,420	33,171	148,182

(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.

Note 7 Receivables

(continued)

	Actual 2014		Actual 2013	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Purpose				
Rates and annual charges	4,198	1,590	4,066	1,826
Interest and extra charges	345	128	358	188
User charges and fees	4,921	841	4,645	372
Accrued revenues	2,955		2,087	
GST Receivable	1,123		1,608	
Government grants and subsidies	1,981		2,464	
Other	804	3,713	972	1,773
Total	16,327	6,272	16,200	4,159
Less: Provision for impairment:				
Rates and annual charges	41		35	
User charges and fees	42		44	
	83		79	
Total	16,244	6,272	16,121	4,159
Restricted receivables				
Externally restricted receivables				
Water Supply	3,823	2,799	5,113	1,524
Sewerage Services	893	669	2,886	371
Domestic Waste Management	1,189	243	1,205	306
Sanctuary Springs	1	0	3	1
Broadwater special rate	2	1	24	1
Total externally restricted receivables	5,908	3,712	9,231	2,203
Unrestricted receivables	10,336	2,560	6,890	1,956
Total receivables	16,244	6,272	16,121	4,159

Note 8 Inventories and other assets

(continued)

	Actual 2014		Actual 2013	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Inventories				
Real estate (refer 1 below)	535	168	535	168
Stores and materials	459		419	
Total inventories	994	168	954	168
Real estate development				
Residential	29		29	
Industrial/Commercial	506	168	506	168
Total real estate held for sale	535	168	535	168
<i>(Valued at the lower of cost and net realisable value)</i>				
Represented by:				
Acquisition costs				
Development costs	535	168	535	168
Borrowing costs				
Total real estate held for sale	535	168	535	168
(b) Inventories not expected to be realised within the next 12 months		168		168
(c) Other assets				
Prepayments	4		760	
Total other assets	4		760	
Externally restricted inventories and other assets				
Water Supply				
Stores and materials	252		225	
Total Water Supply	252		225	
Sewerage				
Stores and materials	4		4	
Total Sewerage	4		4	
Total externally restricted inventories and other assets	256		229	
Unrestricted inventories and other assets	742	168	1,485	168
Total inventories and other assets	998	168	1,714	168

Note:

Refer to Note 27 Fair value measurement for information regarding the fair value of other assets held.

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

30 June 2014

(continued)

By Asset Type	At 30 June 2013				Movements during year						At 30 June 2014			
	Cost \$'000	Fair Value \$'000	Accum depreciation 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	Revaluation increments/(decrements) (2) \$'000	Cost \$'000	Fair Value \$'000	Accum depreciation and impairment \$'000	Written Down Value \$'000
WIP	53,522			53,522	3,477	14,135			-26,961		44,173			44,173
Plant and equipment		34,842	18,536	16,306		2,303	814	2,337	106			35,136	19,572	15,564
Office equipment		22,779	17,927	4,852		343		1,247	30			22,820	18,842	3,978
Furniture and fittings		6,952	3,506	3,446		148		467	-33			6,970	3,876	3,094
Leased property, plant and equipment		286	45	241				3				286	48	238
Land														
- Operational Land		83,726		83,726		170	172					83,724		83,724
- Community Land		23,038		23,038		72						23,110		23,110
Crown Land (Council Trustee)		18,719		18,719					-1			18,718		18,718
Land Under Roads*		48,142		48,142		16	245					47,913		47,913
Non Depreciable Land Improvements						39			397			436		436
Depreciable land improvements		10,614	3,318	7,296		522		498	790	320		12,424	3,994	8,430
Buildings - Non Specialised		740	7	733				49		22		764	58	706
Buildings - Specialised		156,307	22,696	133,611	1,275	877	338	2,448	331	8,246		162,697	21,143	141,554
Other Structures		7,478	2,760	4,718	25	37	22	229	21	49		7,599	3,000	4,599
Infrastructure														
- Roads		538,748	199,818	338,930	4,911	6,086	248	10,298	12,676	18,986		593,902	222,859	371,043
- Bridges		154,947	35,569	119,378	9	1,379	775	1,498		4,236		160,111	37,382	122,729
- Footpaths		129,907	45,175	84,732	113	2,037		1,130	100	4,847		139,463	48,764	90,699
- Bulk Earthworks (non-deprec)		347,489	245	347,244	1,228	2,824	328	11		20,148		371,375	270	371,105
- Stormwater Drainage		163,019	65,234	97,785		868	1	2,248		3,726		170,239	70,109	100,130
- Water Supply Network		505,643	90,904	414,739	712	1,714	1,277	10,535	1,554	11,314		521,545	103,324	418,221
- Sewerage Network		340,779	87,921	252,858	622	5,858	340	9,314	8,357	6,993		364,699	99,665	265,034
- Swimming Pools		11,307	10,149	1,158				52		6		11,370	10,258	1,112
- Other Open Space/ Recreational assets		48,778	25,366	23,412	375	551	128	2,485	663	363		51,019	28,268	22,751
Other Assets														
- Heritage Collections		1,651	277	1,374				10		-526		896	58	838
- Library Books		4,866	4,478	388		268		287				5,134	4,765	369
- Other		1,904	313	1,591		96		76				2,000	389	1,611
Reinstatement, Rehabilitation, Restoration Assets (refer note 21)														
Tip Asset		223	118	105				13				223	131	92
Totals	53,522	2,662,884	634,362	2,082,044	12,747	40,343	4,688	45,235	-1,970	78,730	44,173	2,814,573	696,775	2,161,971

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
- The 'Water Supply network' and 'Sewerage network' asset classes do not include those fixed assets belonging to the water and sewerage funds which form part of other asset classes, eg land, buildings etc. See Note 9b for all the classes of fixed assets belonging to the water and sewer funds.
- Refer to Note 27 Fair value measurement for information regarding the fair value of IPP&E.

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

(continued)

By Asset Type	Actual 2014 \$'000				Actual 2013 \$'000			
	At Cost \$'000	Fair Value \$'000	Accum depreciation and impairment \$'000	Written Down Value \$'000	At Cost \$'000	Fair Value \$'000	Accum depreciation and impairment \$'000	Written Down Value \$'000
Water Supply								
Plant and equipment		47	22	25		47		47
Office equipment		5,452	2,818	2,634		5,452	2,596	2,856
Furniture & Fittings		242	62	180		135	47	88
Land								
- Operational Land		10,301		10,301		10,301		10,301
Buildings		13,704	1,218	12,486		12,532	999	11,533
Water Supply Infrastructure		521,545	103,324	418,221		505,643	90,904	414,739
Capital WIP	11,619			11,619	10,844			10,844
Total water supply	11,619	551,291	107,444	455,466	10,844	534,110	94,546	450,408
Sewerage Services								
Plant and equipment		640	549	91		640	514	126
Office equipment		177	140	37		177	132	45
Furniture & Fittings		28	17	11		28	14	14
Land								
- Operational Land		7,309		7,309		7,309		7,309
Buildings		10,707	2,027	8,680		9,827	1,730	8,097
Sewerage Infrastructure		364,699	99,665	265,034		340,779	87,921	252,858
Capital WIP	17,601			17,601	21,085			21,085
Total sewerage services	17,601	383,560	102,398	298,763	21,085	358,760	90,311	289,534
Waste Management								
Plant and equipment		213	204	9		213	198	15
Office equipment		48	48			48	48	
Furniture and fittings		35	35			35	35	
Land								
- Operational Land		2,213		2,213		2,213		2,213
Land Improvements - Non Depreciable		436		436				
Land Improvements - depreciable		10,786	3,666	7,120		9,049	3,072	5,977
Buildings		7,215	1,389	5,826		6,991	1,241	5,750
Other Structures		1,237	461	776		1,237	407	830
Other		224	98	126		224	85	139
Cairncross Tip Asset		223	131	92		223	118	105
Capital WIP	1,094			1,094	1,770			1,770
Total Waste Management	1,094	22,630	6,032	17,692	1,770	20,233	5,204	16,799
Total Restrictions	30,314	957,481	215,874	771,921	33,699	913,103	190,061	756,741

Note:

- Refer to Note 27 Fair value measurement for information regarding the fair value of IPP&E.

30 June 2014

Note 10(a) Payables, borrowings and provisions

(continued)

	Actual 2014		Actual 2013	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Payables				
Goods and services	5,735		12,614	
Accrued wages and salaries	163		132	
Accrued expenses - other	485		237	
Payments received in advance	1,715		1,504	
Accrued Interest	1,195		1,305	
S64 contributions due to PWD		0		7,147
Deposits and retentions	2,809		1,819	
Other payables	3		3	
Total payables	12,105	0	17,614	7,147
Current payables not expected to be settled within the next 12 months	1,372		954	
Borrowings				
Bank overdraft	83	0	189	0
Loans - Secured (1)	8,552	76,489	8,747	83,936
Total borrowings	8,635	76,489	8,936	83,936
Provisions (2)				
Annual leave	3,527		3,274	
Sick leave	4,504	891	4,088	1,289
Long service leave	8,444	257	8,231	168
Maternity leave	24		29	
Asset remediation (Note 24)		405		383
Total provisions	16,499	1,553	15,622	1,840
Current provisions not expected to be settled within the next 12 months	12,012		11,111	
Liabilities relating to restricted assets				
Domestic waste management	633	435	515	565
Water	4,144	8,205	3,876	14,092
Sewer	4,051	24,534	3,950	30,041
Total restricted liabilities	8,828	33,174	8,341	44,698
Liabilities related to unrestricted assets	28,411	44,868	33,831	48,225
Total	37,239	78,042	42,172	92,923

Notes:

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

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

Note 10(b) Description of and movements in provisions

(continued)

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below:

Class of provision	Opening balance \$'000	Increases in provisions \$'000	Payments \$'000	Re-measurement \$'000	Closing balance \$'000
Asset remediation	383	22			405
Total	383	22	0	0	405

This provision is for the remediation of the Cairncross Waste Management Depot at the end of its useful life.

30 June 2014

(continued)

Note 11 Reconciliation of operating result to net cash movement from operating activities.

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	31,316	27,555
Less: Bank overdraft	10	83	189
Balances as per Statement of cash flows		31,233	27,366
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		31,871	36,353
Add:			
Depreciation and impairment		45,235	46,143
Increase in provision for doubtful debts		4	10
Increase in provision for leave entitlements		568	696
Increase in other provisions		22	21
Decrease in receivables		0	668
Decrease in inventories		0	78
Decrease in other current assets		756	0
Increase in payables		0	8,316
Loss on disposal of assets		3,457	2,141
		81,913	94,426
Less:			
Decrease in employee leave entitlements		0	0
Decrease in other provisions		0	0
Increase in receivables		2,240	0
Increase in inventories		40	0
Increase in other current assets		0	28
Decrease in payables		12,656	0
Non cash capital grants and contributions		23,656	23,011
Fair value adjustments to financial assets at fair value through profit and loss		201	229
Fair Value adjustments to impaired financial assets classified as available for sale		0	2,115
Net cash provided by operating activities from Cash flow statement		43,120	69,043

Note 11 Reconciliation of operating result to net cash
movement from operating activities (continued)

	Actual 2014 \$'000	Actual 2013 \$'000
Notes		
(c) Non-cash financing and investing activities		
Bushfire grants	134	470
S94 contributions in kind	0	0
Dedications	13,680	22,541
	13,814	23,011

(d) Financing arrangements

Unrestricted access was available at balance date to the following:

Bank overdraft facility (1)	500	500
Purchase Cards	610	610
	1,110	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.

(e) Bank guarantees/Loan guarantees

Bank guarantees		
	5,531	0

The bank guarantees are held as performance bonds to ensure against damage to Council assets when works are undertaken for private works.

No comparatives are available for Bank/Guarantees

Note 12 Commitments

	Actual 2014 \$'000	Actual 2013 \$'000
Notes		
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the end of the reporting date but not recognised in the financial statements as liabilities:		
- Buildings		0
- Infrastructure	9,634	10,981
- Land		0
- Plant and equipment	110	240
	9,744	11,221

All of Council's commitments are for the purchase/construction of road, water, sewer, parks etc infrastructure.

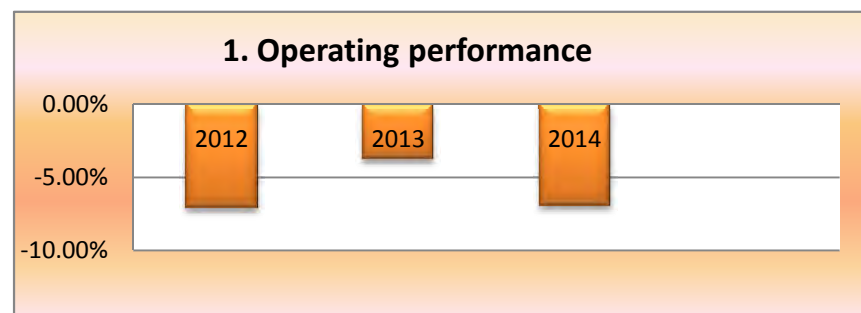
Note 13(a) Statement of Tcorp performance measures -
Consolidated Results

	Amounts 2014	Current year indicators	2013	2012
1. Operating performance				
		Benchmark is greater than 0%		
Total continuing operating revenue (1) excluding capital grants and contributions - operating expenses	-9,149	-6.88%	-3.70%	-7.04%
Total continuing operating revenue (1) excluding capital grants and contributions	132,985			
2. Own source operating revenue				
		Benchmark is greater than 60%		
Total continuing operating revenues (1) less all grants and contributions	121,715	68.66%	66.83%	72.11%
Total continuing operating revenues (1) inclusive of capital grants and contributions	177,261			
3. Unrestricted current ratio				
		Benchmark is greater than 1.5		
Current assets less all external restrictions	58,093	3.28 :1	2.21:1	1.88:1
Current liabilities less specific purpose liabilities	17,724			
4. Debt service cover ratio				
		Benchmark is greater than 2		
Operating results before capital excluding interest and depreciation/impairment/amortisation (EBTDA)	41,739	2.92 :1	3.54	3.23
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	14,296			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	6,220	7.25%	7.73%	8.70%
Rates and annual charges collectible	85,821			
5a. Rates and annual charges outstanding percentage (excluding pensioner accruals)				
Rates and annual charges outstanding	6,120	7.13%	7.62%	8.54%
Rates and annual charges collectible	85,821			
6. Cash expense cover ratio				
		Benchmark is greater than 3 months		
Current year's cash, cash equivalents and all term deposits	152,164	15.38 :1	16.58	10.77
Payments from cash flow of operating and financing activities	118,730			

Notes:

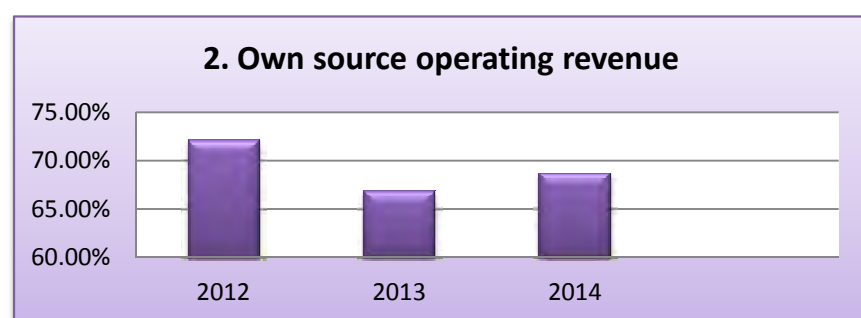
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets

Note 13 Statement of performance measures - Consolidated results - Graphs



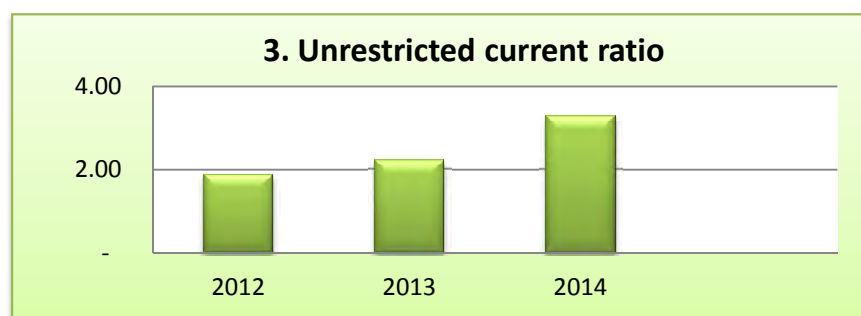
Purpose of operating performance ratio

Measures Council's achievement of containing operating expenditure within operating revenue.
Benchmark greater than 0%



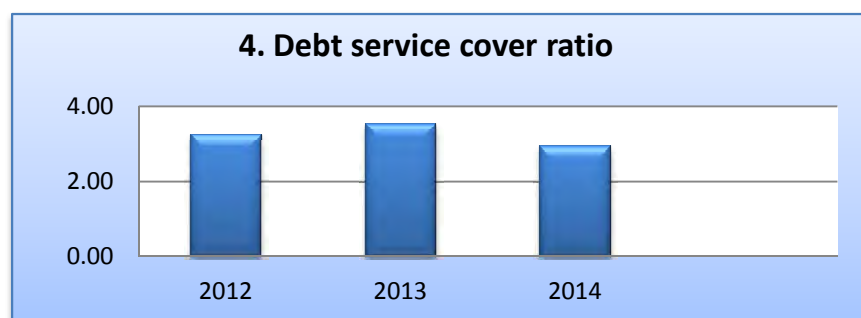
Purpose of own source operating revenue ratio

Measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.
Benchmark is greater than 60%



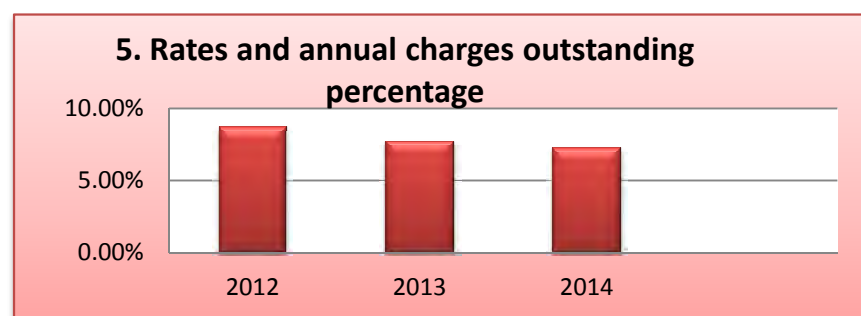
Purpose of unrestricted current ratio

Represents Council's ability to meet short term obligations as they fall due.
Benchmark is greater than 1.5.



Purpose of debt cover ratio

Measures the availability of operating cash to service debt including interest, principal and lease payments.
Benchmark is greater than 2.



Purpose of rates and annual charges outstanding %

To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

Note 13(b) Statement of Performance Measures by Fund

	General	Water	Sewer
1. Operating performance			
Total continuing operating revenue (1) excluding capital grants and contributions - operating expenses	-1.99%	-6.12%	-28.77%
Total continuing operating revenue (1) excluding capital grants and contributions			
2. Own source operating revenue			
Total continuing operating revenues (1) less all grants and contributions	69.91%	68.05%	64.83%
Total continuing operating revenues (1) inclusive of capital grants and contributions			
3. Unrestricted current ratio			
Current assets less all external restrictions	3.28	7.15	5.41
Current liabilities less specific purpose liabilities			
4. Debt service cover ratio			
Operating results before capital excluding interest and depreciation/impairment/amortisation (EBTDA)	3.38	3.95	1.36
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)			
5. Rates and annual charges outstanding percentage			
Rates and annual charges outstanding	7.29%	11.19%	5.80%
Rates and annual charges collectible			
6. Cash expense cover ratio			
Current year's cash and cash equivalents including term deposits	10.19	39.01	21.24
Payments from cash flow of operating and financing activities			

Notes:

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets

Note 14 Investment properties

(continued)

This note is not applicable to Port Macquarie-Hastings Council

Note 15 Financial risk management

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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	31,316	27,555	31,316	27,555
Receivables	22,516	20,280	22,516	20,280
Financial assets at fair value through profit or loss	3,929	6,742	3,929	6,742
Held-to-maturity investments	117,000	107,000	117,000	107,000
Total	174,761	161,577	174,761	161,577
Financial Liabilities				
Payables**	10,390	23,257	10,390	23,257
Borrowings	85,124	92,872	81,755	89,586
Total	95,514	116,129	92,145	112,843

Note:

Refer to Note 27 for fair value information.

** Excludes payments received in advance

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 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 risks associated with investments held are:

* 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.

* Interest rate risk - the risk that movements in interest rates could affect returns.

* 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.

The impact on the result for the year and equity of a reasonably possible movement in the price of investments held is shown below. The reasonably possible movement was determined based on historical movements and economic conditions in place at the reporting date.

	2014 \$'000	2013 \$'000
Impact of a 5% (1) movement in price of investments		
- Equity	0	0
- Income statement	196 (2)	337
Impact of a 1% (1) movement in interest rates on cash and investments		
- Equity		
- Income statement	113	75

Notes:

(1) Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents, managed funds, and FRNs.)

(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.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required.

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:

	2014	2013
Percentage of Rates and Annual charges:		
- Current	29.40%	28.82%
- Overdue	70.60%	71.18%
Analysis of overdue debts		
0 days to 30 days overdue	1,841,011	1,628,623
30 days to 60 days overdue		
60 days to 90 days overdue		
90 days + overdue	3,809,556	4,226,625
Less than 1 year (1)	610,309	583,077
Percentage of Other Receivables		
- Current	70.39%	95.72%
- Overdue	29.61%	4.28%
Analysis of overdue debts		
0 days to 30 days overdue	10,190,775	10,093,244
30 days to 60 days overdue	402,783	362,464
60 days to 90 days overdue	702,647	37,536
90 days + overdue	1,486,533	2,301,742
Less than 1 year (1)	1,695,542	1,126,230

Notes:

(1) Water billing receivables cannot be dissected into the groupings above. Amounts that are over 12 months old are held as arrears and can be identified but all amounts raised in the current year are held in current until the next billing cycle when any unpaid amount is put into overdue. These amounts have been allocated to "Less than 1 year". Complete accurate data is not available for 2012/13 financial year so estimates have been included where information is not available.

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 maturity table below:

\$'000	Due within 1 year \$'000	Due between 1 and 5 years \$'000	Due after 5 years \$'000	Total Contractual Cash flows \$'000	Carrying values \$'000
2014					
Payables	9,018	1,372		10,390	12,105
Borrowings	14,107	49,396	53,103	116,606	85,124
	23,125	50,768	53,103	126,996	97,229
2013					
Payables	15,186	8,101		23,287	24,761
Borrowings	14,382	63,062	67,119	144,563	92,872
	29,568	71,163	67,119	167,850	117,633

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 2014		30 June 2013	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
		\$'000		\$'000
Overdraft	5.61%	83	5.77%	189
Bank Loans - Fixed	6.13%	76,181	6.09%	84,088
- Variable ⁽¹⁾	5.37%	8,860	5.70%	8,595
		85,124		92,872

Note:

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

30 June 2014

Note 16 Material Budget Variations

(continued)

Council's original budget was incorporated as part of the Corporate Plan adopted by the Council on 19 June 2013. 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 over budget by \$2,287K (F) 48.15%. This result was caused by a number of things including:-

1. Interest estimates in the original budget were conservative due to the downward pressure on interest rates.
2. Interest and other investment revenues recognised for the 2014 financial year have been influenced by movements in the fair value of investments upwards by \$201K.
3. There has been a large amount of work budgeted to be completed in the 2013/14 financial year that has carried over to 2014/15. This means that the funds set aside for those projects has been able to be invested.

2. User Charges and Fees

User charges and fees were over the original budget by some \$5,818K (F) 23.26%. Variations in amounts received for user charges and fees are detailed below.

User Charges - Water Supply	\$1,990K (F)	Conservative water usage estimates due to fluctuations in usage patterns depending on the weather.
User Charges - Other Waste Management	\$2,458K (F)	Increased usage at Cairncross. Council also received a large one-off payment from the RMS for disposal of refuse at the Cairncross site.
Fees - Building, Planning, S603 Certificates, S68 Permits	\$938K (F)	Increase in fees associated with increased activity in the construction industry.
Fees - Crematorium/Cemeteries	\$150K (F)	Increased usage of facility

3. Other Revenues

Other revenues were over the original budget by some \$807K (F) 18.48%. Variations in amounts received for other revenues are detailed below.

Economic Affairs	\$152K (F)	Council received income from Tastings on Hastings and the tourism partnership program
Rental of Council facilities	\$108K (F)	Council has leased out two buildings during the year.
Fines	\$89K (F)	Fine income from carparking etc was above expectations.
Glasshouse income	\$629 (F)	Increased usage of facility

30 June 2014

Note 16 Material Budget Variations

(continued)

4. Grants and contributions provided for operating purposes

Grants and contributions provided for operating purposes were under the original budget by \$2,553K (U) 18.47%. The primary variations are detailed below:

Financial Assistance Grants	\$4,524 (U)	This was due to the cancellation of the pre-payment of the grant.
Waste Management Operating Grants	\$398 (F)	Council received a grant for the organics collection service
Roads and Bridges	\$773 (F)	Receipt of flood damage restoration grant.
Economic Affairs	\$90 (F)	Grant for tourism events.
S94 Contributions	\$118 (F)	Additional S94 admin levy due to increased development activity.

5. Grants and contributions provided for capital purposes

Actual amounts of grants and contributions received for capital purposes were over the original budget by some \$26,422K (F) 147.99%. Variations in the amounts received in grant and contributions funds are detailed below.

Developer Provided Asset Contributions	\$7,180 (F)	Developers has contributed a significant amount of infrastructure assets to Council.
Airport Grant	\$5,001 (F)	This project was a carry-over from the 2012/13 financial year and as such was not included in the 2013/14 original budget.
Sancrox Reservoir Grant	\$1,140 (F)	The budget for the Sancrox Reservoir was included in the July 2014 budget review.
Sewerage Services Grant	\$1,335 (U)	Write off of Subsidised Scheme grant in consultation with NSW Office of Water
S94 Contributions	\$5,628 (F)	Increased S94 income has been received as a result of increased development activity.
S64 Contributions	\$6,896 (F)	There has been increased S64 income due to increased development activity, however the primary reason for the increased income in this area is the write-off of a large liability for Office of Water (See note 3g)

30 June 2014

Note 16 Material Budget Variations

(continued)

Expenses**6. Borrowing Costs**

Borrowing costs were under the original budget by \$1,025K (F) 15.35%. This was primarily due to the deferral of the Stingray Creek Bridge loan borrowing. In addition, interest on variable loans was less than anticipated.

7. Other Expenses

Other expenses were over budget by \$3,384K (U) 31.69%. This variation was due to items outlined below.

Contributions and Donations	\$841K (U)	This variation is due to affordable housing contributions made to applicants in the area.
Payments to other levels of Government	\$1,512 (U)	Increased Waste Management S880 levy to the State Government
Write of NSW Office of Water Debtor	\$1,528 (U)	This debtor has been written off with the agreement of the NSW Office of Water
Street Lighting	\$295 (F)	New installations for street lighting were less than anticipated.

In addition to the above mentioned items, minor favourable and unfavourable variations occurred

Note 17 Statement of developer contributions

(continued)

(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 during the year (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	Cumulative balance of internal borrowings (to)/from (5) \$'000
		Cash \$'000	Non cash \$'000									
Roads	1,282	1,900		51	1,014	2,219		2,219	54,837	67,400	-10,344	4,588
Parking	3,600	131		98		3,829		3,829	9,488	12,942	375	-5,919
Open Space	1,769	1,265		59	245	2,848		2,848	47,890	57,127	-6,389	1,317
Community Facilities	637	1,060		26	962	761		761	39,756	44,668	-4,151	
Other	1,027	37		28		1,092		1,092	527	1,942	-323	
Administration Levy		198			198				1,851	2,366	-515	14
S94 under plans	8,315	4,591		262	2,419	10,749		10,749	154,349	186,445	-21,347	
S94 not under plans	533	110		15		658		658				
S94A levies	104	201		5		310		310				
Planning agreements	70	1,399	-804	12	1,036	445		445				
Section 64	28,252	4,063		755	1,800	31,270		31,270				
Totals	37,274	10,364	-804	1,049	5,255	43,432		43,432	154,349	186,445	-21,347	

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) Borrowings within and between plans during current period only.

(5) Cumulative balance of borrowing within and between plans.

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 during the year (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	Cumulative balance of internal borrowings (to)/from (5) \$'000
		Cash \$'000	Non cash \$'000									
Roads	1,282	1,900		51	1,014	2,219		2,219	54,837	67,400	-10,344	4,588
Parking	3,600	131		98		3,829		3,829	9,488	12,942	375	-5,919
Open Space	1,769	1,265		59	245	2,848		2,848	47,890	57,127	-6,389	1,317
Community Facilities	637	1,060		26	962	761		761	39,756	44,668	-4,151	
Other	1,027	37		28		1,092		1,092	527	1,942	-323	
Administration Levy		198			198				1,851	2,366	-515	
Section 94A	104	201		5		310		310				14
Totals	8,419	4,792		267	2,419	11,059		11,059	154,349	186,445	-21,347	

(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 during the year (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	Cumulative balance of internal borrowings (to)/from (5) \$'000
		Cash \$'000	Non cash \$'000									
Roads	307	68		9		384		384				
Parking												
Open Space	226	42		6		274		274				
Community Facilities												
Other												
Totals	533	110		15		658		658				

Note 18 Contingencies

(continued)

Contingent liabilities

1 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 and its administrators have advised Council that it will need to make significantly higher contributions 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.

Note 19 Interests in joint ventures and associates

This note is not applicable to Port Macquarie - Hastings Council

Note 20 Revaluation reserves and retained earnings

(continued)

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
(a) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		990,668	954,315
Adjustment to correct prior period errors (20(d))		1,258	
Change in accounting policy	1(u)		
Net operating result for the year		31,871	36,353
At end of year		<u>1,023,797</u>	<u>990,668</u>
(b) Revaluation reserves			
Infrastructure, property, plant and equipment revaluation reserve		1,198,820	1,120,090
Available-for-sale investments revaluation reserve		0	0
		<u>1,198,820</u>	<u>1,120,090</u>
Movements:			
<i>Property, plant and equipment revaluation reserve</i>			
At beginning of year		1,120,090	1,020,490
Revaluations	9	78,730	99,600
At end of year		<u>1,198,820</u>	<u>1,120,090</u>
<i>Available-for-sale investments revaluation reserve</i>			
At beginning of year		0	-10
Revaluation - gross			10
Transfer to net profit - gross			
At end of year		<u>0</u>	<u>0</u>
(c) Nature and purpose of reserves			
(i) <i>Infrastructure, property, plant and equipment revaluation reserve</i>			
The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets			
(ii) <i>Available-for-sale investments revaluation reserve</i>			
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.			
(d) Correction of errors in previous years			
Duplication of non-depreciable land improvements		(1)	-4,160
Assets identified not previously recognised		1,258	
		<u>1,258</u>	<u>-4,160</u>

Note 1 - Adjusted to retained earnings

Income Statement by Fund	Actual 2014 \$'000 General ⁽¹⁾	Actual 2014 \$'000 Water	Actual 2014 \$'000 Sewer
Income from continuing operations			
Revenue:			
Rates and annual charges	53,458	6,080	19,338
User charges and fees	15,892	14,737	200
Interest and investment revenue	5,090	1,115	832
Other revenues	4,902	114	158
Grants and contributions provided for operating purposes	10,499	423	348
Grants and contributions provided for capital purposes	23,614	9,899	10,763
Other Income:			
Net gain from the disposal of assets			
Total income from continuing operations	113,455	32,368	31,639
Expenses from continuing operations			
Employee benefits and on-costs	33,459	3,645	4,083
Borrowing costs	3,187	614	1,853
Materials and contracts	20,709	7,174	8,113
Depreciation and amortisation	24,663	10,978	9,594
Other expenses	9,513	1,369	3,180
Net Loss from the disposal of assets	1,547	1,570	340
Total expenses from continuing operations	93,078	25,350	27,163
Operating result from continuing operations	20,377	7,018	4,476
Net operating result for the year	20,377	7,018	4,476
Attributable to:			
- Council	20,377	7,018	4,476
Net operating result for the year before grants and contributions provided for capital purposes (2)	-3,237	-2,881	-6,287

Notes:

(1) General Fund refers to all Council activities except Water and Sewer

(2) The relevant operating result used for Water and Sewer is the 'Operating Result less Grants for Acquisition of Assets' as reported in Special Schedule's 3 and 5. This result is respectively:

	\$'000
Water	5,168
Sewer	3,516

Statement of financial position by Fund	Actual 2014 \$'000 General	Actual 2014 \$'000 Water	Actual 2014 \$'000 Sewer
ASSETS			
Current assets			
Cash and cash equivalents	17,296	8,372	5,648
Investments	40,731	18,316	15,919
Receivables	11,528	3,823	893
Inventories	738	252	4
Other	4		
Total current assets	70,297	30,763	22,464
Non-current assets			
Investments	15,330	20,374	10,259
Receivables	2,804	2,799	669
Inventories	168		
Infrastructure, property, plant & equipment	1,407,743	455,466	298,762
Total non-current assets	1,426,045	478,639	309,690
Total assets	1,496,342	509,402	332,154
LIABILITIES			
Current liabilities			
Payables	11,125	522	458
Borrowings	4,658	1,832	2,145
Provisions	13,261	1,790	1,448
Total current liabilities	29,044	4,144	4,051
Non-current liabilities			
Payables	0	0	0
Borrowings	43,964	8,074	24,451
Provisions	1,339	131	83
Total non-current liabilities	45,303	8,205	24,534
Total liabilities	74,347	12,349	28,585
Net assets	1,421,995	497,053	303,569
EQUITY			
Retained earnings	644,866	210,936	166,737
Revaluation reserves	777,129	286,117	136,832
Council equity interest	1,421,995	497,053	303,569
Total equity	1,421,995	497,053	303,569

Notes:

(1) General Fund refers to all Council activities except Water and Sewer

30 June 2014

Note 22 Non-current assets classified as held for sale

(continued)

	Actual 2014 \$'000	Actual 2013 \$'000
Land	<u>0</u>	<u>350</u>

Note:

- Refer to Note 27 for fair value measurement information.

Note 23 Events occurring after reporting date

(continued)

Events that occur after the reporting date of 30 June 2014, 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.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Council, the results of those operations or the state of affairs of the Council in future years.

Note 24 Reinstatement, rehabilitation and restoration liabilities

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.

	Actual 2014 \$'000	Actual 2013 \$'000
At Beginning of year	383	362
Amounts capitalised to Tip asset		
- New disturbance		
- Revised costs		
- Revised life		
- Revised discount rate		
Amortisation of discount - expensed to borrowing costs	22	21
Amounts used		
At end of year	405	383

Provisions for close down and restoration and for environmental clean up costs - Tips

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 developing or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated costs 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 tip operations and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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.

Note 24 Reinstatement, rehabilitation and restoration liabilities (continued)***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 reporting 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 reporting date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating costs, except for the unwinding 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 affect future financial results.

Note 27 Fair Value Measurement

The Council measures the following asset and liabilities at fair value on a recurring basis.

- * Infrastructure, property, plant and equipment
- * Financial assets

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by the Council:

2014	Note	Level 2 (\$) Significant observable inputs \$'000	Level 3 (\$) Significant unobservable inputs \$'000	Total \$'000
Recurring Fair Value Measurements				
Financial assets				
Investments				
- At fair value through profit and loss	6b		3,929	3,929
Total Financial Assets		0	3,929	3,929
Infrastructure, Property, Plant and Equipment				
Plant & Equipment	9		15,802	15,802
Office Equipment	9		3,978	3,978
Furniture & Fittings	9		3,094	3,094
Operational Land	9	83,724		83,724
Community Land	9		23,110	23,110
Crown Land (Council Trustee)	9		18,718	18,718
Land Under Roads	9		47,913	47,913
Land Improvements - Non Depreciable	9		436	436
Land Improvements - Depreciable	9		8,430	8,430
Buildings - Non Specialised	9	706		706
Buildings - Specialised	9		141,554	141,554
Other Structures	9		4,599	4,599
Roads	9		371,043	371,043
Bridges	9		122,729	122,729
Footpaths	9		90,699	90,699
Bulk Earthworks	9		371,105	371,105
Stormwater Drainage	9		100,130	100,130
Water Supply Network	9		418,221	418,221
Sewerage Network	9		265,034	265,034
Other Open Space/Recreational Assets	9		23,863	23,863
Other Assets	9		2,818	2,818
Works in Progress	9		44,173	44,173
Total Infrastructure, Property, Plant & Equipment		84,430	2,077,449	2,161,879

Note: Council does not have any Assets that are valued at Level 1.

Note 27 Fair Value Measurement**Valuation Techniques used to derive Level 3 Fair Values****Financial Assets**

Investments - At fair value through profit and loss are represented by two Equity Linked Notes. Council obtains valuations from its Investment Advisors on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. There has been no change to the valuation process during the reporting period.

Property, Plant & Equipment, Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- | | |
|------------------------|--|
| - Plant & Equipment | - Graders, trucks, rollers, tractors, ride-on mowers, motor vehicles |
| - Office Equipment | - Computers, photocopiers |
| - Furniture & Fittings | - Chairs, desks, shelving |

The unobservable Level 3 inputs used include assumptions and estimates relating to:

- Useful Life
- Pattern of consumption
- Asset condition
- Residual Values

There has been no change to the valuation process during the reporting period.

Property, Plant & Equipment Leased

Plant & equipment leased is valued at cost but is disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Within this class is the Emerald Downs Community Centre. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational under the NSW Local Government Act 1993. Council obtains its fair values for operational land from an external valuation every 5 years. The last valuation was undertaken in 2012/13 by First State Property Valuers using Level 2 inputs.

Level 1 and 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration.

The unobservable Level 2 inputs used include:

- Rate per square metre

Community Land (including Crown land)

Council's community land by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access, such as dedication under S94 of the Environment Planning and Assessment Act 1979. Council also controls land owned by the Crown (refer to Note 1(4)).

The Office of Local Government has determined that community land and controlled Crown land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for land under clause 31 of AASB 116.

Valuations of all Council's Community Land and Council controlled Crown land were based on the land values provided by the Valuer-General. As these rates are not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land under roads

Council has elected to recognise land under roads in accordance with AASB 1051. Council has used the "Englobo" valuation method for land under roads. This requires an average Site Value (SV) for each suburb within the Council area on a \$ per m2 to be calculated. The site value is "the value of the underlying land assuming that any existing improvements have not been made. It also assumes that the land is not encumbered by any lease, mortgage or other charge". Australian Property Institute, 2004. Adjustment factors for 65% and 25% respectively have been applied for Englobo value and access and carriageway rights and infrastructure (other users for carriageway reserve and infrastructure). There has been no change to the valuation process during the reporting period.

Note 27 Fair Value Measurement

Land Improvements - Depreciable and non-depreciable

Council's Land Improvements incorporates: subsoil drainage, rock groin and rock armouring, underground root barriers and internal roads. These assets were valued in-house using the cost approach by experienced Council staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors including but not limited to:

- construction rates for similar assets
- Industry construction cost benchmarks such as Rawlinson's Australian Construction Handbook

The unobservable Level 3 inputs used include:

- Gross replacement cost
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Specialised Buildings

Specialised buildings were valued using the cost approach by professionally qualified Registered Valuers "APV Valuers and Asset Management" in 2012/13. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. These include the average cost of construction and consumption score for each component. As these are supported by observable market evidence they have been classified as level 2 inputs. The unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Non-Specialised Buildings

Council's non-specialised buildings were valued by professionally qualified Registered Valuers "APV Valuers and Asset Management" in 2012/13 using Level 2 valuation inputs. The properties fair values have been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates assets such as bus shelters, fencing, cemetery beams

Council's other structure assets have been valued by internal staff using the cost approach whereby the replacement cost was estimated for each asset taking into account a range of factors that required extensive professional judgement including reference to recent construction data for similar assets and industry construction cost benchmarks. The revaluation process also included an assessment of the condition of each asset and its estimated design life. This information was used to determine each asset's remaining useful life and calculate accumulated depreciation and the depreciated replacement cost.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Construction costs for similar assets

There has been no change to the valuation process during the reporting period.

Note 27 Fair Value Measurement**Other Assets**

Council's other assets incorporates assets such as artworks, archaeological signage, skip bins etc

Council's other assets have been valued by internal staff using the cost approach whereby the replacement cost was estimated for each asset taking into account a range of factors that required extensive professional judgement.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Roads (including bulk earthworks)

Council's road assets incorporates assets such as road carriageway, carparks, guardrails, kerb & guttering, traffic facilities, bulk earthworks etc. Council's Asset Management system details dimensions and specifications for all Council roads.

The 'Cost Approach' was used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall gross replacement cost for each road segment. Roads were valued in-house by suitably qualified engineers and required extensive professional judgement. Replacement cost was calculated by reference to recent Council road construction projects and industry construction cost data. Each road segment was assessed to determine its condition. Council utilises a condition assessment rating matrix to determine where the asset is in relation to its estimated useful life. The condition assessment allowed Council to calculate accumulated depreciation and written down replacement value.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Road hierarchy
- Traffic usage
- Terrain

There has been no change to the valuation process during the reporting period.

Bridges

Council's bridges assets incorporate concrete and wooden bridges and culverts. Council's Asset Management System details dimensions and specifications for all Council bridges.

Council valued the bridge assets in-house using the "Cost Approach". The valuation was undertaken by suitably qualified engineers and required extensive professional judgement. Replacement cost was calculated by reference to recent Council bridge construction projects and industry construction cost data. Each bridge was assessed to determine its condition. Council utilises a condition assessment rating matrix to determine where the asset is in relation to its estimated useful life. The condition assessment allowed Council to calculate accumulated depreciation and written down replacement value.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Gross replacement cost

There has been no change to the valuation process during the reporting period.

Note 27 Fair Value Measurement**Footpaths**

Council's footpath assets incorporate all footways (including those shared with a cycleway) sealed or non-sealed. Council's Asset Management system details dimensions and specifications for all Council footpaths.

Council valued the footpath assets in-house using the "Cost Approach". The valuation was undertaken by suitably qualified engineers and required extensive professional judgement. Replacement cost was calculated by reference to recent Council footpath construction projects and industry construction cost data. Each footpath was assessed to determine its condition. Council utilises a condition assessment rating matrix to determine where the asset is in relation to its estimated useful life. The condition assessment allowed Council to calculate accumulated depreciation and written down replacement value.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Gross replacement cost

There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Council's stormwater drainage assets incorporate drainage pits, pipes, open channels, headwalls and various types of water quality devices used to collect, store and remove stormwater. Council's Asset Management system details dimensions and specifications for all Council stormwater drainage assets..

Council valued the stormwater drainage assets in-house using the "Cost Approach". The valuation was undertaken by suitably qualified engineers and required extensive professional judgement. Accumulated depreciation was determined by assessing/estimating the year of construction and calculating its age by reference to each assets design life.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Gross replacement cost

There has been no change to the valuation process during the reporting period.

Water Supply

Council's water supply assets incorporate pipes, reservoirs, pumping stations, dams, treatment facilities etc. Council's Asset Management system details dimensions and specifications for all Council water supply assets..

Council's water supply assets were valued by an external valuer "APV valuers and Asset Management" in 2011/12 using the "Cost Approach". The assets were componentised into significant parts with different useful lives taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs detailed below required extensive professional judgement and impacted significantly on the final determination of fair value. Gross replacement value was derived from reference to Council construction data, Australian Institute of Quantity Surveyors and Rawlinson's Australian Construction Handbook. Assets have been condition assessed to determine remaining useful life.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Note 27 Fair Value Measurement**Sewerage Network**

Council's sewerage network assets incorporate mains, pumping stations, treatment facilities etc. Council's Asset Management system details dimensions and specifications for all Council sewerage network assets..

Council's sewerage network assets were valued by an external valuer "APV valuers and Asset Management" in 2011/12 using the "Cost Approach". The assets were componentised into significant parts with different useful lives taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs detailed below required extensive professional judgement and impacted significantly on the final determination of fair value. Gross replacement value was derived from reference to Council construction data, Australian Institute of Quantity Surveyors and Rawlinson's Australian Construction Handbook. Assets have been condition assessed to determine remaining useful life.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Council's open space/recreational assets include synthetic surfaces, lighting, playground equipment, seating, picnic tables, BBQ's, swimming pools etc.

Council's swimming pool assets were valued in-house using the "Cost Approach". While some elements of gross replacement values may be supported from market evidence (Level 2) other inputs detailed below required extensive professional judgement and impacted significantly on the final determination of fair value.

Open space and recreational assets were valued in-house using the "Cost Approach". While some elements of gross replacement values may be supported from market evidence (Level 2) other inputs detailed below required extensive professional judgement and impacted significantly on the final determination of fair value.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Library Books

This asset class includes assets such as library books, CD's, DVD's, publications etc

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the item.

Open space and recreational assets were valued in-house using the "Cost Approach". While some elements of gross

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life
- Gross replacement cost

There has been no change to the valuation process during the reporting period.

Note 27 Fair Value Measurement

Heritage Collections

This asset class includes the Historical Court House at 31 Hay Street in Port Macquarie.

The historical court house was valued using the cost approach by professionally qualified Registered Valuers "APV Valuers and Asset Management" in 2012/13. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. These include the average cost of construction and consumption score for each component. As these are supported by observable market evidence they have been classified as level 2 inputs. the unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Other Assets

Council's other assets incorporates assets such as artworks, archaeological signage, skip bins etc

Council's other assets have been valued by internal staff using the cost approach whereby the replacement cost was estimated for each asset taking into account a range of factors that required extensive professional judgement.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Useful Life

There has been no change to the valuation process during the reporting period.

Reconciliation of movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below.

	2014 (\$'000)
Balance at 1 July	2,004,222
Total gains or losses for the period	
Recognised in profit or loss - Realised - refer Note 5	-3,292
Recognised in profit or loss - Unrealised - refer Notes 3 and 4	201
Recognised in other comprehensive income - Revaluation surplus	78,708
Other movements	
Purchases	53,090
Sales	-4,395
Depreciation	-45,186
Transfers into level 3	
Transfers out of level 3	-1,970
Balance at 30 June	<u><u>2,081,378</u></u>

Note 27 Fair Value

Unobservable inputs and sensitivities

Asset/Liability Category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investments - At fair value through Profit or loss	3,929	Price		Significant changes in the estimated market price would result in significant changes to fair value measurement.
Plant & Equipment	22,874	Gross Replacement Cost Remaining Useful life Residual Value	Market prices varying for different asset items 5 - 10 years 0%	Plant and equipment are carried as cost which approximates fair value. Any changes to the remaining useful life or pattern of consumption will impact fair value. Gross replacement cost is not subject to change.
Operational Land	83,724	Price per square metre	\$0.50 to \$1,401 per square metre	Any change in the rate per square metre will increase or decrease the fair value of operational land.
Community Land (including controlled Crown land)	41,828	Average Unit rate based on the Unimproved Capital Value per square metre	\$0.16 to \$2,059 per square metre	Any change in the price per square metre based on the unimproved capital value will increase or decrease the fair value of community land.
Land under roads	47,913	Average Unit rate based on the Unimproved Capital Value per square metre throughout varying suburbs including adjustment factors for englobo calculation.	\$0.003 to \$42.00 per square metre	Any change in the price per square metre based on the unimproved capital value will increase or decrease the fair value of land under roads.
Land Improvements	8,866	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0-71 years 0% Good	Fair value is largely influenced by changes to the cost of construction.
Buildings Specialised	141,554	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0-100 years 0% - 50% Good to Excellent	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.

Unobservable inputs and sensitivities

Asset/Liability Category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Buildings Non-Specialised	706	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 15 - 50 years 0% - 50% Good	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Other Structures	4,599	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 98 years 0% Poor to Excellent	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Roads Including Bulk Earthworks	742,148	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 16% Poor to Excellent	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Bridges	122,729	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 16% Poor to Excellent	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Footpaths	90,699	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 16% Poor to Excellent	Any change in the costs to construct these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Stormwater Drainage	100,130	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 0% Poor to Excellent	Any change in the costs to construct/purchase these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Water Supply Network	418,221	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 0% - 65% Poor to Excellent	Any change in the cost to construct/purchase these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Sewerage Network	265,034	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 0% - 60% Poor to Excellent	Any change in the costs to construct/purchase these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.

Unobservable inputs and sensitivities

Asset/Liability Category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Other Open Space/Recreational Assets	23,863	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 96 years 0% Good	Any change in the costs to construct/purchase these assets, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.
Other Assets	2,818	Gross Replacement Cost Remaining Useful life Residual Value Asset Condition	Varies significantly from asset to asset 0 - 100 years 0 Poor to Excellent	Any change in the gross replacement cost, asset condition, remaining useful life or residual value will increase or decrease the fair value of the land improvements.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Transfers between levels of the hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of the hierarchy.

Highest and best use

All of Council's non-financial assets valued at fair value in this note are being used for their highest and best use.

Port Macquarie-Hastings Council

Report to Council under s417 of the Local Government Act 1993

30 June 2014



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Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

CONTENTS

1.	THE AUDITOR'S ROLE & RESPONSIBILITY	2
2.	INCOME STATEMENT	3
2.1	Consolidated Operating Result	3
2.2	Operating Result by Fund	4
2.3	Capital Grants & Contributions	6
3.	STATEMENT OF FINANCIAL POSITION	7
3.1	Current Assets	8
3.1.1	Cash & Investments	8
3.1.2	Liquidity	9
3.2	Non-Current Assets	10
3.2.1	Infrastructure, Property, Plant and Equipment (I,P,P&E).....	10
3.1.4	Asset Management Performance Indicators.....	12
3.3	Liabilities	14
3.3.1	Loans Liability	14
4.	OTHER MATTERS	16
4.1	Internal Control Environment	16
4.2	Audit of Asset Management Information	16

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2014, in accordance with Section 415 of the Local Government Act 1993. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

1. THE AUDITOR'S ROLE & RESPONSIBILITY

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports comply with Australian Accounting Standards as well as other statutory requirements and are free of material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our professional 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, we consider 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 organisation's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Our independent audit report is attached to each financial report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the Local Government Act 1993.

Reporting on the Conduct of the Audit

Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances. These observations are set out below.

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated surplus from all activities for 2014 was \$31,871,000. This compares to a surplus in 2013 of \$36,353,000. This result is summarised as follows:-

	2014 \$'000	2013 \$'000	2012 \$'000
Revenues from continuing operations	125,838	130,333	122,537
Expenses from continuing operations	(95,371)	(89,018)	(84,204)
Result from continuing operations before depreciation	30,467	41,315	38,333
Less: depreciation expense	(45,235)	(46,143)	(44,740)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(14,768)	(4,828)	(6,407)
Significant items impacting the operating result			
Fair value gains and losses on investments	201	2,344	(1,334)
Impairment of non-current assets	-	-	(2,223)
Gain on sale of financial assets	-	435	2,697
Write-back of PWD liability	7,147	-	-
Loss on disposal of assets	(3,457)	(2,576)	(4,265)
Operating Result Before Capital Revenue	(10,877)	(4,625)	(11,532)
Capital grants and contributions	42,748	40,978	24,126
Surplus from all activities	31,871	36,353	12,594

Some of the material factors influencing the consolidated operating result are as follows:

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Revenue			
Interest revenue	(2,119)	(2,119)	2013 revenue was inflated by \$2.115m relating to the write back of impairment of financial assets.

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Waste Management User Charges (non-Domestic)	1,910	1,910	Council received a large one-off payment from the RMS for the disposal of refuse at the Cairncross Waste Management Depot.
Operating grants	(4,584)	(4,584)	Included in the 2012/13 figures is the receipt of financial assistance grant monies relating to the first two quarters of 2014. No such receipts have been received in advance in 2014 relating to the 2015 financial year.
Expenses			
Employee costs	4,481	(4,481)	The 2014 expense is higher than 2013 due to staff numbers increasing by 31.
Raw materials and consumables	1,856	(1,856)	Greater usage of materials rather than contracts.
Contractor and consultancy costs	(1,882)	1,882	Reduction in the use of contractors compared to 2013.
Depreciation expense	(824)	824	Reduction in buildings depreciation due to the inclusion of residual values.
Other Expenses	1,608	(1,608)	Increase of \$841k in affordable housing contributions. \$1,512k increase in Waste Management S880 levy to State Government.

2.2 Operating Result by Fund

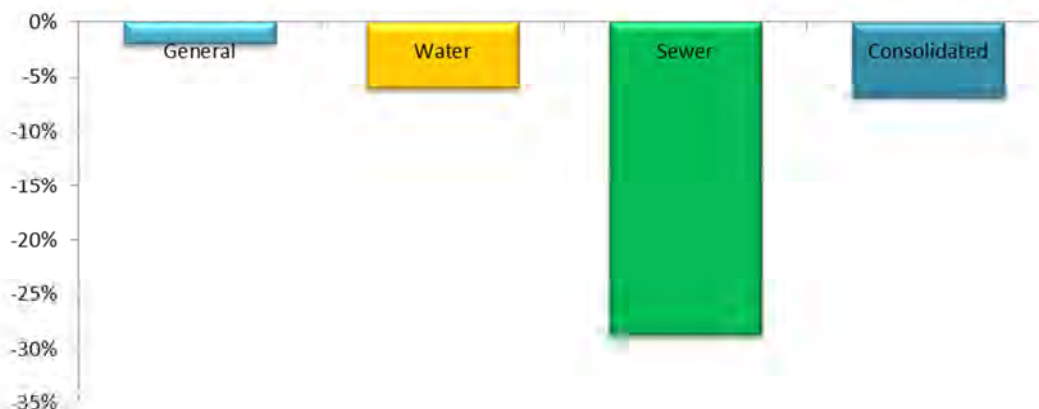
The consolidated operating result comprises the surpluses and deficits associated with Council's general, sewer and water funds. Note 21 to the financial statements provides the results of each fund on a gross basis.

2014	General \$'000	Water \$'000	Sewer \$'000
Revenues from continuing operations	89,746	22,408	20,831
Expenses from continuing operations	(66,868)	(12,802)	(17,229)
Result from continuing operations before depreciation	22,878	9,606	3,602
Less: depreciation expense	(24,663)	(10,978)	(9,594)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(1,785)	(1,372)	(5,992)
Significant items impacting the operating result			
Fair value gains and losses on investments	95	61	45
Write-back of PWD liability	-	3,810	3,337
Gain/(Loss) on disposal of assets	(1,547)	(1,570)	(340)
Operating Result Before Capital Revenue	(3,237)	929	(2,950)
Capital grants and contributions	23,614	6,089	7,426
Surplus from all activities	20,377	7,018	4,476

Operating Performance

The Office of Local Government has introduced a ratio that measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital revenue). The benchmark is greater than 0%.

Operating Performance by Fund



The table above indicates that Council's General Fund has an operating deficit after depreciation of \$1.785million. This means that it is close to generating sufficient revenue and controlling its expenditure to fund its annual depreciation expense. This result is adversely impacted by the reduction in Financial Assistance Grant funding in the 2014 financial year to the effect of \$4.6million. Without this negative impact, General Fund would have returned a surplus and therefore funded the depreciation on its assets.

The sewer fund operating result for 2014 is not sufficient to enable renewal of assets. We understand that Council is in the process of reviewing the long term plan for sewer fund to assess the desired future operating results and asset renewals programmes.

It is important to distinguish that this ratio is focussing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded.

2.3 Capital Grants & Contributions

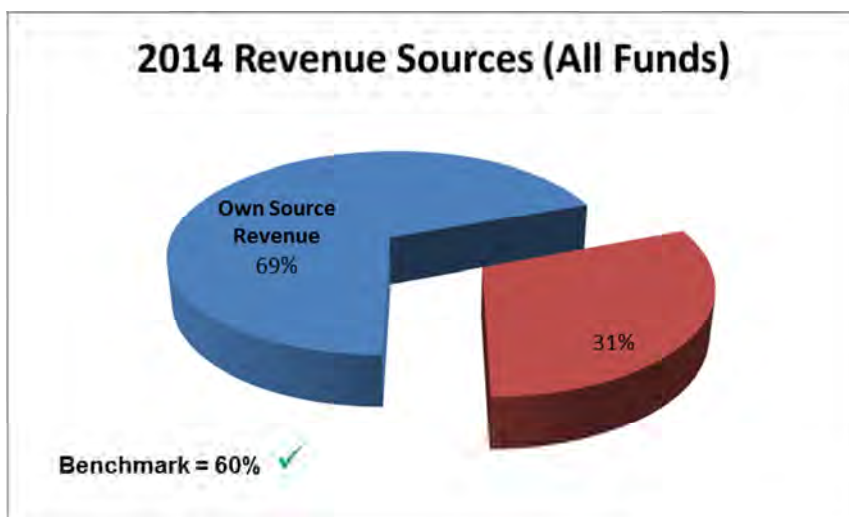
The table below provides an understanding of the nature and quantum of capital grants and contributions received during the financial year.

2014	Roads \$'000	Sewer \$'000	Water \$'000	Airport \$'000	Other \$'000	Total \$'000
Capital Grants	3,749	-	1,333	5,001	1,029	11,112
Capital Contributions						
Cash	1,981	1,503	2,830	-	3,327	9,641
In-Kind	6,043	5,588	1,058	-	991	13,680
Deferred	-	335	868	-	1,493	2,696
Other**	-	3,337	3,810	-	-	7,147
	11,773	10,763	9,899	5,001	6,840	44,276

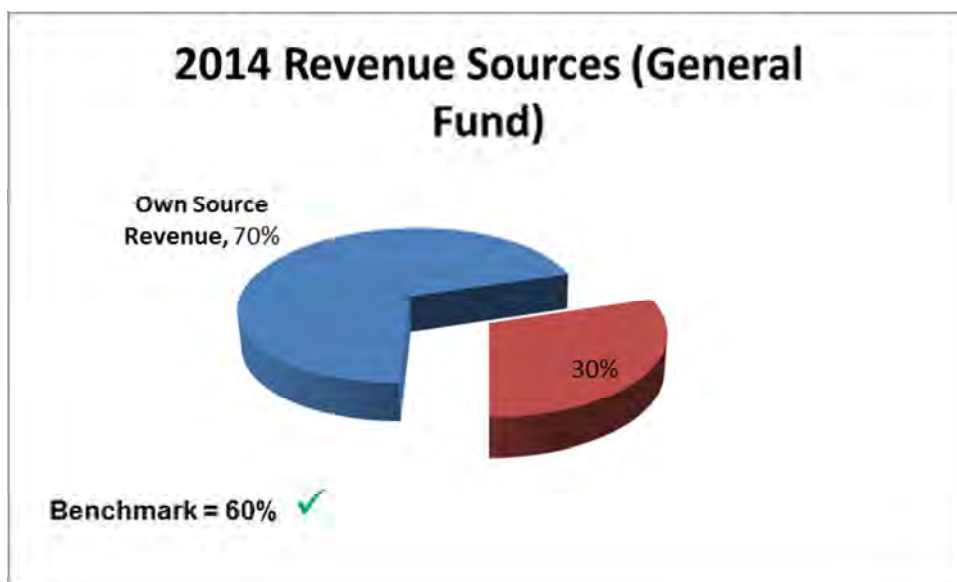
** Write-back of PWD payable \$7.147million

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph below illustrates that Council sources 69% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds industry benchmarks.



General Fund revenue sources also exceed industry benchmarks.



3. STATEMENT OF FINANCIAL POSITION

Council's Statement of Financial Position (Balance Sheet) is summarised below.

	2014 \$'000	2013 \$'000	2012 \$'000
Assets			
Current Assets	123,524	113,754	90,837
Non-Current Assets	2,214,374	2,132,099	2,006,559
Total Assets	2,337,898	2,245,853	2,097,396
Liabilities			
Current Liabilities	37,239	42,172	33,096
Non-Current Liabilities	78,042	92,923	89,506
Total Liabilities	115,281	135,095	122,602
Equity	2,222,617	2,110,758	1,974,794

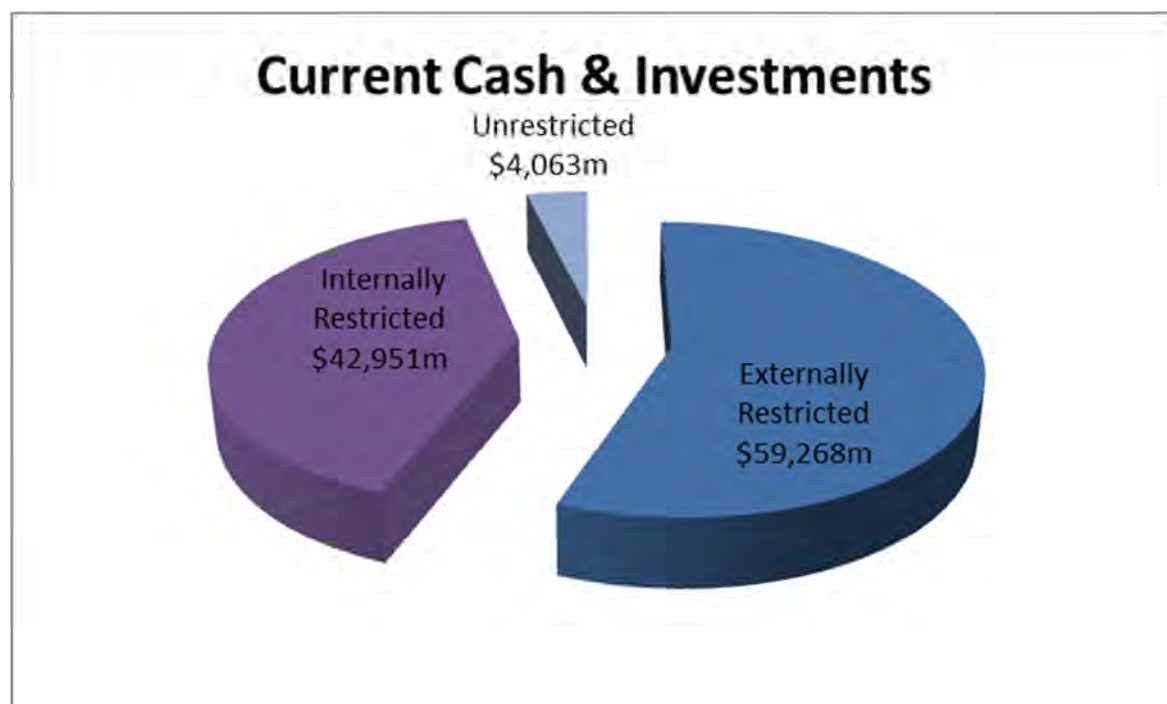
We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2014 together with related Office of Local Government benchmark data.

3.1 Current Assets

3.1.1 Cash & Investments

Included in Council's net current assets are cash and investments totalling \$106 million at 30 June 2014. Council's cash and investments are restricted in their use as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications.</i>	59,268	50,885	51,332
Internally Restricted <i>Money set aside for special projects via Council resolution.</i>	42,951	37,008	19,979
Unrestricted <i>Funds forming part of working capital used for day-to-day operations.</i>	4,063	7,676	80
Total Cash & Investments	106,282	95,569	71,391



Internally Restricted Cash

The table below illustrates Council's efforts to fund important projects and create reserves to assist absorption of any unforeseen financial shocks. Internal reserves have more than doubled over the past three years.

	2014 \$'000	2013 \$'000	2012 \$'000
Infrastructure Projects			
PM Town Centre Masterplan	3,764	3,880	3,553
Committed Works	5,453	6,801	2,150
Transport Infrastructure Renewal	3,687	3,207	2,402
Plant & Equipment Renewal			
Office Building & Equipment	2,928	2,155	1,614
Plant / Fleet Replacement	3,969	2,831	2,139
Employee Leave Entitlements	4,015	3,184	2,582
Working Capital	5,632	5,598	2,288
Other	13,503	9,352	3,251
Total	42,951	37,008	19,979

3.1.2 Liquidity

Council's unrestricted net current asset position provides a measure of the organisation's capacity / liquidity to meet its commitments from current assets net of externally restricted assets and liabilities that are not available for day-to-day operational activities.

Over the past three years Council has been improving its net unrestricted current assets position. The main driver of the improved net unrestricted current assets position has been the replenishment of internal reserves.

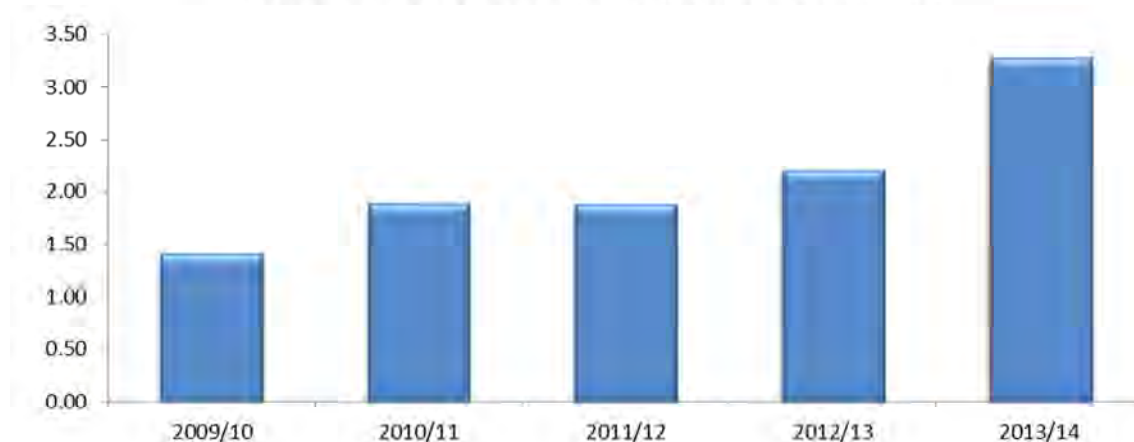
	2014 \$'000	2013 \$'000	2012 \$'000
Unrestricted Net Current Assets	43,065	31,643	16,179

Liquidity Benchmarks

Unrestricted Current Ratio

The unrestricted net current asset position is measured by the unrestricted current ratio. The Office of Local Government and NSW Treasury consider that this ratio should be in the range of 1.5 – 2.0.

General Fund Unrestricted Current Ratio



The unrestricted current ratio illustrates that, at balance date 2014, Council has \$3.28 in liquid current assets for every \$1 of current liabilities. When compared to industry benchmarks, this ratio is high. This ratio is influenced by the term of investments and the timing of the expenditure of internal reserves.

3.2 Non-Current Assets

3.2.1 Infrastructure, Property, Plant and Equipment (I,P,P&E)

The largest asset or liability appearing on Council's statement of financial position is I,P,P&E.

Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for managing assets with a written down value in excess of \$2 billion.

	Cost to Replace \$'000	WDV \$'000	Depreciation Expense \$'000	WDV as a % of Cost %	Depreciation Expense as a % of Cost %
Plant & Equipment	65,212	15,564	2,337	24%	4%
Operational & Community Land	125,552	125,552	-	100%	0%
Land Under Roads	47,913	47,913	-	100%	0%
Land Improvements	12,860	8,866	498	69%	4%
Buildings	163,461	142,260	2,497	87%	2%
Other Assets	15,629	14,819	2,332	95%	15%

	Cost to Replace \$'000	WDV \$'000	Depreciation Expense \$'000	WDV as a % of Cost %	Depreciation Expense as a % of Cost %
Infrastructure					
Roads, Bridges & Footpaths	893,476	584,201	12,937	65%	1%
Roads Bulk Earthworks	371,375	371,375	-	100%	0%
Stormwater Drainage	170,239	100,130	2,248	59%	1%
Water Supply Infrastructure	521,545	418,221	10,535	80%	2%
Sewer Supply Infrastructure	364,699	265,034	9,314	73%	3%
Open Space / Recreational assets	62,389	23,863	2,537	38%	4%
Work in Progress	44,173	44,173	-	100%	0%
	<u>2,858,523</u>	<u>2,161,971</u>	<u>45,235</u>		

Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of I,P,P&E capitalised over the past two years is provided below:

	2014 \$'000	2013 \$'000	2012 \$'000
Infrastructure Dedications			
Developer Infrastructure Dedications	13,680	8,700	7,300
RMS Infrastructure Dedication	-	13,840	
Non-cash Grants/contributions			
Bush Fire, Subsidised Schemes etc.	134	470	49
Council Constructed / Purchased Assets			
Land and Buildings	2,314	447	4,049
Plant and Equipment	2,660	4,508	4,041
Roads and Drainage	12,614	25,822	11,372
Water & Sewerage Network	2,260	5,251	4,013
Other Assets	1,816	3,545	2,390
Work in Progress	17,612	23,852	13,440
	<u>53,090</u>	<u>63,425</u>	<u>39,305</u>
Consisting of:			
Asset Renewals - Buildings & Infrastructure	12,747	15,951	7,773
Dedicated Assets	13,680	22,540	7,349
New Assets	26,663	24,934	24,183
	<u>53,090</u>	<u>63,425</u>	<u>39,305</u>

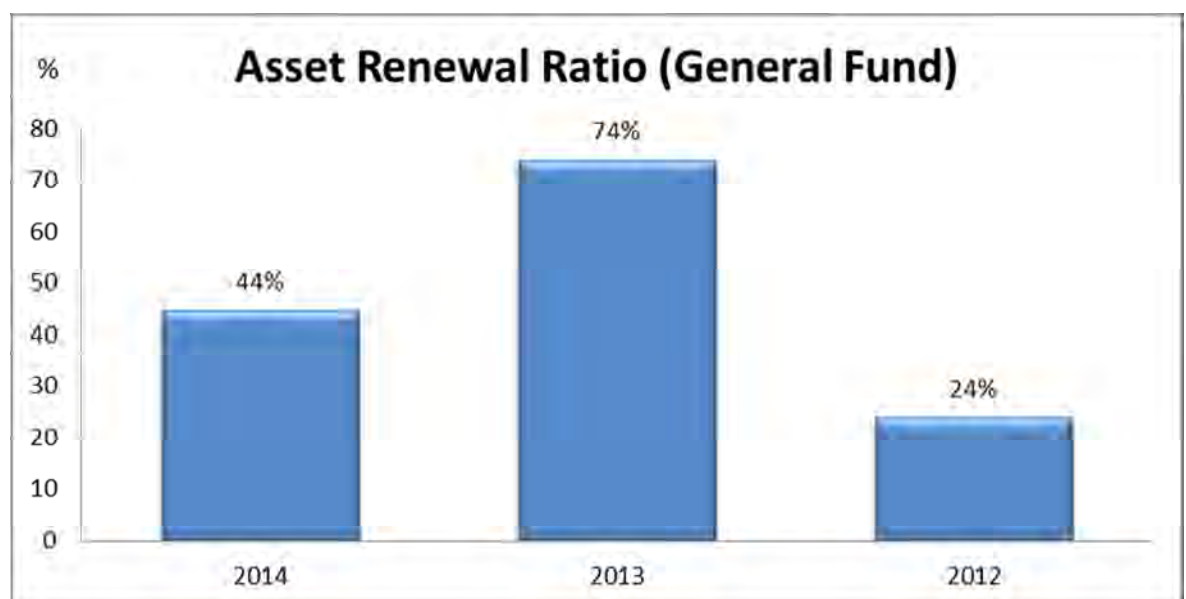
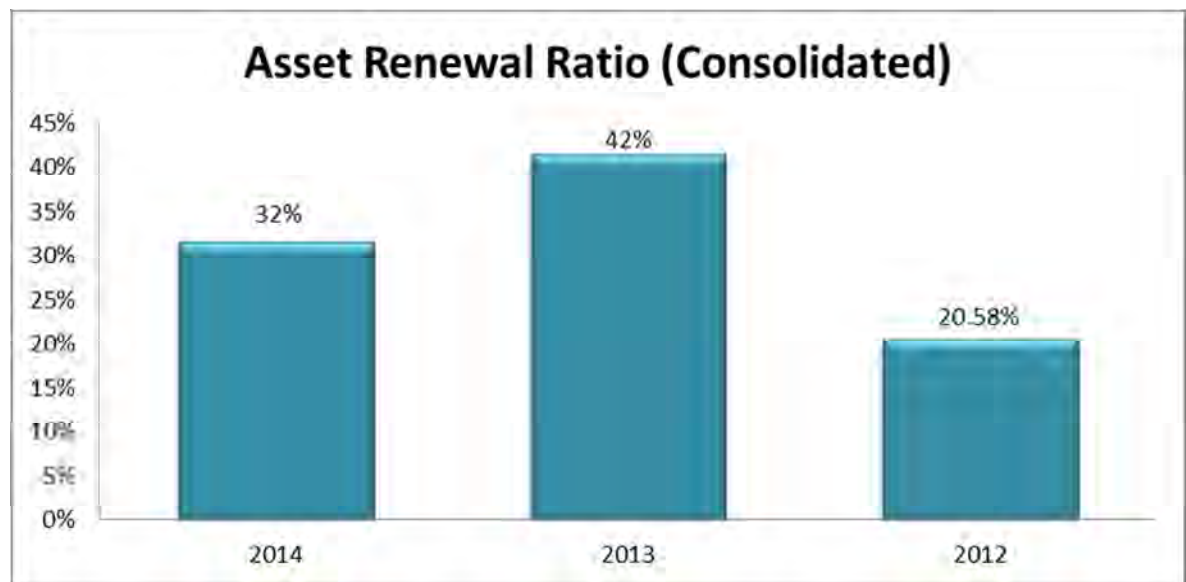
3.1.4 Asset Management Performance Indicators

As Council is responsible for managing a large infrastructure and asset portfolio, the Office of Local Government has introduced some ratios designed to measure the effectiveness of asset management activities. These ratios are not subject to audit.

Buildings & Infrastructure Renewals Ratio

Assessing the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating (being consumed) is measured using the buildings and infrastructure renewals ratio.

This ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets or adding capacity to existing assets. Industry benchmarking recommends that asset renewals equate to the related depreciation expense or be in the range of 90-100%.

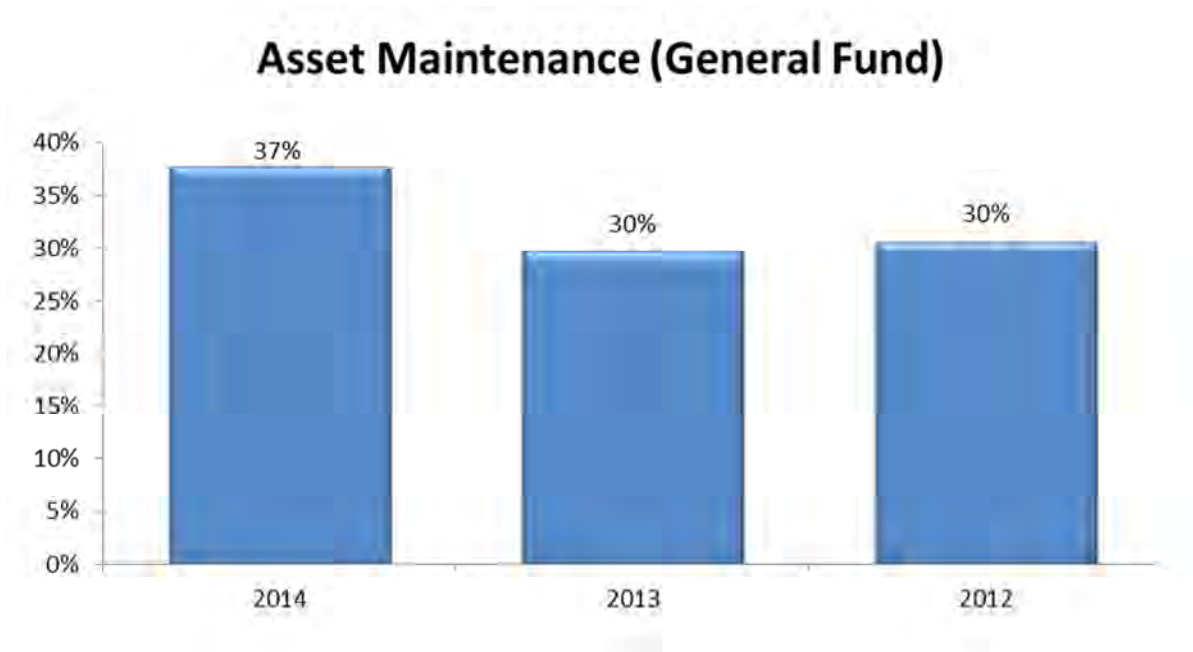


The 2013 ratio for general fund was impacted by the renewal of the airport infrastructure however the graphs illustrate that Council is not renewing assets equivalent to the rate at which they are depreciating.

Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. Actual versus estimated required maintenance to keep asset conditions at a satisfactory standard over the past three years is summarised as follows:

Asset Maintenance	2014 \$'000	2013 \$'000	2012 \$'000
Required annual maintenance	43,760	40,423	38,363
Actual annual maintenance	19,660	16,405	14,890

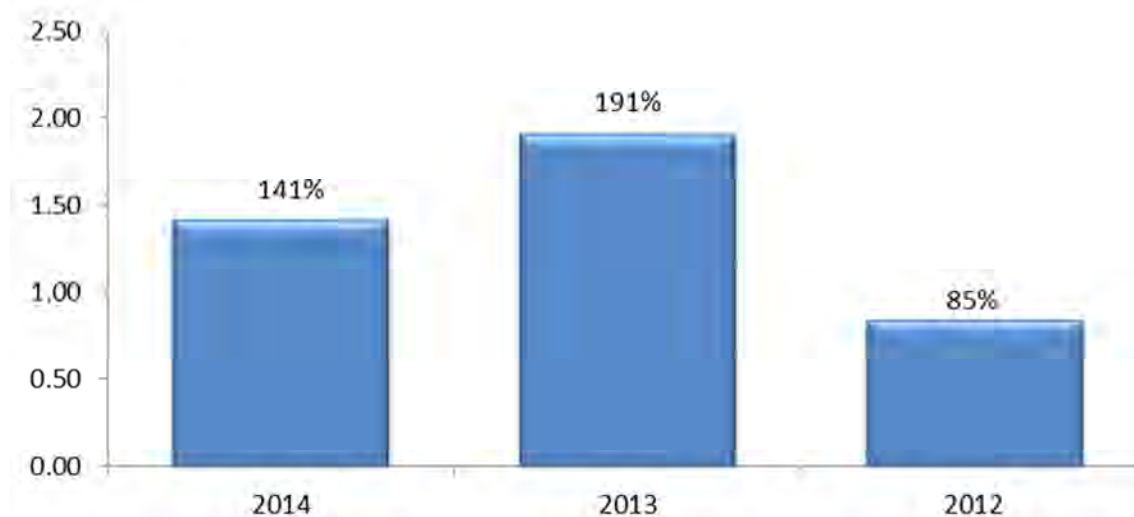


A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop its infrastructure maintenance backlog from growing. Currently Council is not spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory level.

Capital Expenditure Ratio

This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on new assets as well as replacement and renewal of existing assets.

Capital Expenditure Ratio (General Fund)



The benchmark for this ratio is greater than 100%. Council is exceeding this ratio in General Fund.

Asset Management

Among other things, Council's function is to manage assets. Infrastructure, property, plant and equipment represent the largest asset group on the Council's Statement of Financial Position. The management of infrastructure, property, plant and equipment is an important part of Council's objectives. The Local Government Infrastructure audit report released by the NSW Office of Local Government in 2013 identified Port Macquarie-Hastings Council as having moderate infrastructure management practices.

Council is making progress on its asset management practices however improvements to information technology and greater use of internally generated data to reassess useful lives and residual values is required.

3.3 Liabilities

Council's Statement of Financial Position contains material liabilities such as trade & other payables, employee benefits and loans. There have not been any material movements or other matters warranting discussion on trade & other payables or employee benefits.

Council's loan liability represents 73% of total liabilities at 30 June 2014. We provide discussion on this balance below.

3.3.1 Loans Liability

	2014 \$'000	2013 \$'000	2012 \$'000
Current Loan Liability	8,552	8,747	8,726
Non-Current Loan Liability	76,489	83,936	80,686
Total Loan Liability	85,041	92,683	89,412

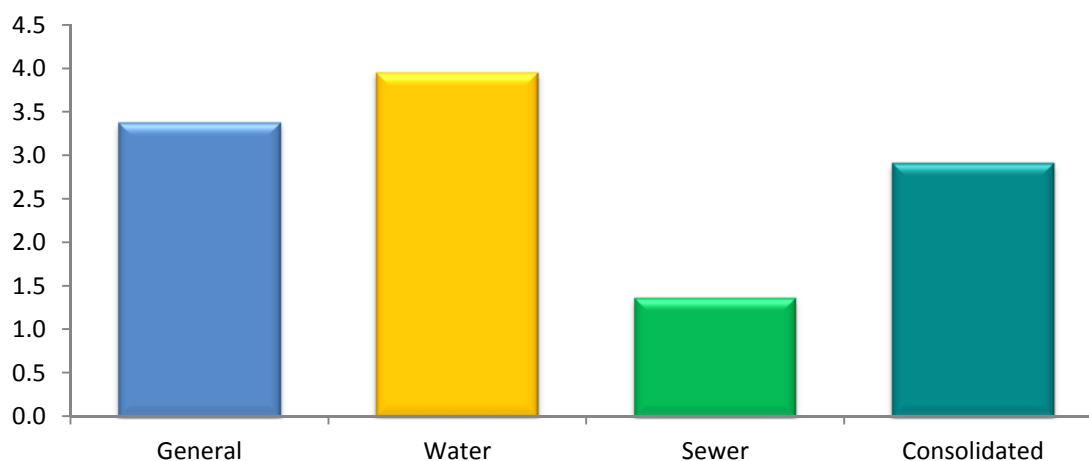
	2014 \$'000	2013 \$'000	2012 \$'000
By Fund			
General Fund (excluding Glasshouse debt)	28,253	30,544	26,453
Glasshouse Loan	20,286	21,519	22,671
	<u>48,539</u>	<u>52,063</u>	<u>49,124</u>
Sewer Fund	26,596	28,740	26,580
Water Fund	9,906	11,880	13,708
	<u>36,502</u>	<u>40,620</u>	<u>40,288</u>
Total Loan Liability	<u>85,041</u>	<u>92,683</u>	<u>89,412</u>

Total borrowings have remained relatively static over the past three years. The Office of Local Government has developed the following benchmarks relating to borrowing:

Debt Service Cover Ratio

A new ratio has been introduced to measure the availability of operating cash to service debt including interest, principal and lease payments. This ratio replaces the Debt Service Ratio which measured the Council's debt and interest repayment as a percentage of revenue. The benchmark for the new ratio is greater than 2.

Debt Service Cover Ratio by Fund



This graph indicates that Council is generating sufficient cash to satisfy its debt repayment obligations in all funds except for Sewer Fund. We suggest that the ratio for Sewer be analysed to determine if cash flow over the short to medium term is sufficient to allow this benchmark to be achieved.

4. OTHER MATTERS

4.1 Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

4.2 Audit of Asset Management Information

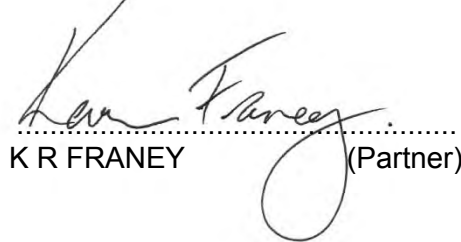
In 2015 Council's special schedule 7 will be subject to independent audit. Special schedule 7 contains asset management ratios, costs to bring assets to a satisfactory standard and information relating to actual and required maintenance expenditure levels. As this information has not been subject to independent review in prior years, it is important that Council:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Have policies and procedures supporting the compilation of information that is included in special schedule 7 so that asset management ratios are calculated accurately;
- Aligns asset data collection to allow efficient compilation of the information contained in special schedule 7.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS


K R FRANEY (Partner)

**PORT MACQUARIE-HASTINGS COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Port Macquarie-Hastings Council (the Council), which comprises the statement of financial position as at 30 June 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993* and for such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, 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.

Auditor's Opinion

In our opinion:

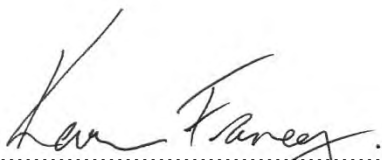
- a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2;
- b) the financial statements:
 - i. have been presented in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly, in all material respects, the Council's financial position as at 30 June 2014, and of its performance and its cash flows for the year then ended; and
 - iv. are in accordance with applicable Accounting Standards;
- 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.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Port Macquarie-Hastings Council for the year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS


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

Port Macquarie-Hastings Council

Special Purpose Financial Reports

for the year ended 30 June 2014

Port Macquarie - Hastings Council

Special purpose financial statements for the year ended 30 June 2014

Contents

	Page
Statement by Councillors and Management	SP1
Income statement of Water Supply business activity	SP2
Income statement of Sewerage business activity	SP3
Income statement of Waste Management business activity	SP4
Statement of Financial Position of Water Supply business activity	SP5
Statement of Financial Position of Sewerage business activity	SP6
Statement of Financial Position of Waste Management business activity	SP7
Notes to the Special Purpose Financial Statements	SP8
Auditor's report	

Port Macquarie - Hastings Council

**Special purpose financial statements
for the year ended 30 June 2014**

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

The attached Special Purpose Financial Statements have been prepared in accordance with:

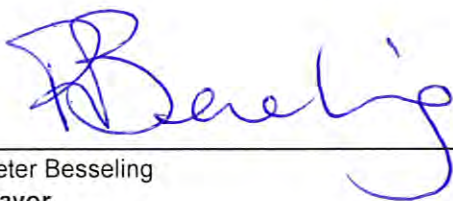
- * NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- * Division of Local Government Guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- * The Local Government Code of Accounting Practice and Financial Reporting.
- * The NSW Office of Water 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 20 August 2014.



Peter Besseling
Mayor



Adam Roberts
Councillor



Craig Swift-McNair
General Manager



Monika Bretmaisser
Responsible Accounting Officer

Port Macquarie - Hastings Council

Income Statement of Water Supply business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
Income from continuing operations		
Access charges	6,150	5,737
User charges	14,145	13,134
Fees	679	436
Interest	1,115	2,482
Grants and contributions provided for non capital purposes	423	387
Other income	114	117
Total income from continuing operations	22,626	22,293
Expenses from continuing operations		
Employee benefits and on-costs	3,644	2,876
Borrowing costs	614	770
Materials and contracts	7,331	7,177
Depreciation & impairment	10,978	11,488
Loss on sale of assets	1,570	142
Calculated taxation equivalents	190	189
Debt guarantee fee (if applicable)	327	384
Other expenses	1,369	1,303
Total expenses from continuing operations	26,023	24,329
Surplus (deficit) from continuing operations before capital amounts	-3,397	-2,036
Grants and contributions provided for capital purposes	9,900	3,786
Surplus (deficit) from continuing operations after capital amounts	6,503	1,750
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	0
Surplus (deficit) after tax	6,503	1,750
Opening retained profits	203,916	201,593
Adjustments for amounts unpaid		
Taxation equivalent payments	190	189
Debt guarantee fees	327	384
Corporate taxation equivalent		
Closing retained profits	210,936	203,916
Return on Capital %	-0.61%	-0.28%
Subsidy from Council	11,892	10,274
Calculation of Dividend Payable		
Surplus (deficit) after tax	6,503	1,750
Less: Capital grants and contributions (excluding developer contributions)	2,661	3,667
Surplus for dividend calculation purposes	3,842	-1,917
Dividend calculated from surplus	940	0

Port Macquarie - Hastings Council

Income Statement of Sewerage business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
Income from continuing operations		
Access charges	19,465	18,491
User charges	1,095	979
Fees	21	23
Interest	832	2,084
Grants and contributions provided for non capital purposes	348	345
Other income	157	161
Total income from continuing operations	21,918	22,083
Expenses from continuing operations		
Employee benefits and on-costs	4,083	3,468
Borrowing costs	1,853	1,614
Materials and contracts	9,155	8,381
Depreciation & impairment	9,594	9,394
Loss on sale of assets	340	316
Calculated taxation equivalents	130	130
Debt guarantee fee (if applicable)	830	830
Other expenses	3,181	1,981
Total expenses from continuing operations	29,166	26,114
Surplus (deficit) from continuing operations before capital amounts	-7,248	-4,031
Grants and contributions provided for capital purposes	10,763	3,490
Surplus (deficit) from continuing operations after capital amounts	3,515	-541
Less Corporate Taxation Equivalent (30%) [based on result before capital]	0	0
Surplus (deficit) after tax	3,515	-541
Opening retained profits	162,262	161,843
Adjustments for amounts unpaid		
Taxation equivalent payments	130	130
Debt guarantee fees	830	830
Corporate taxation equivalent	0	0
Closing retained profits	166,737	162,262
Return on Capital %	-1.81%	-0.83%
Subsidy from Council	11,370	8,208
Calculation of Dividend Payable		
Surplus (deficit) after tax	3,515	-541
Less: Capital grants and contributions (excluding developer contributions)	5,588	-34
Surplus for dividend calculation purposes	-2,073	-507
Dividend calculated from surplus	0	0

Port Macquarie - Hastings Council

Income Statement of Waste Management business activity for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
Income from continuing operations		
Access charges	11,999	11,485
User charges	6,777	4,862
Interest	528	569
Grants and contributions provided for non capital purposes	1,180	766
Profit from the sale of assets	0	23
Other income	1,281	939
Total income from continuing operations	21,765	18,644
Expenses from continuing operations		
Employee benefits and on-costs	1,510	1,336
Borrowing costs	36	43
Materials and contracts	11,448	12,772
Depreciation & impairment	621	524
Loss on sale of assets		
Calculated taxation equivalents	29	29
Debt guarantee fee (if applicable)	8	8
Other expenses	3,071	1,730
Total expenses from continuing operations	16,723	16,442
Surplus (deficit) from continuing operations before capital amounts	5,042	2,202
Grants and contributions provided for capital purposes		
Surplus (deficit) from continuing operations after capital amounts	5,042	2,202
Less Corporate Taxation Equivalent (30%) [based on result before capital]	1,513	661
Surplus (deficit) after tax	3,529	1,541
Opening retained profits and reserves	13,229	11,695
Adjustments for amounts unpaid		
Taxation equivalent payments	29	29
Debt guarantee fees	8	8
Corporate taxation equivalent	1,513	661
Less: Dividend Paid	-786	-705
Closing retained profits and reserves	17,522	13,229
Return on Capital %	28.70%	13.36%
Subsidy from Council		
Calculation of Dividend Payable		
Surplus (deficit) after tax	3,529	1,541
Less: Capital grants and contributions (excluding developer contributions)	0	0
Surplus for dividend calculation purposes	3,529	1,541
Dividend calculated from surplus	786	705

Port Macquarie - Hastings Council

Statement of Financial Position of Water Supply business activity as at 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	8,372	
Investments	18,316	17,717
Receivables	3,823	5,113
Inventories	252	225
Total current assets	30,763	23,055
Non-current assets		
Investments	20,374	21,337
Receivables	2,799	1,524
Infrastructure, property, plant and equipment	455,466	450,408
Total non-current assets	478,639	473,269
Total assets	509,402	496,324
LIABILITIES		
Current liabilities		
Payables	522	526
Interest bearing liabilities	1,832	1,716
Provisions	1,790	1,634
Total current liabilities	4,144	3,876
Non-current liabilities		
Payables	0	3,810
Interest bearing liabilities	8,074	10,164
Provisions	131	118
Total non-current liabilities	8,205	14,092
Total liabilities	12,349	17,968
Net assets	497,053	478,356
EQUITY		
Retained earnings	210,936	203,917
Reserves	286,117	274,439
Council equity interest	497,053	478,356
Total equity	497,053	478,356

Port Macquarie - Hastings Council

Statement of Financial Position of Sewerage business activity as at 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	5,648	
Investments	15,919	20,332
Receivables	893	2,886
Inventories	4	4
Total current assets	22,464	23,222
Non-current assets		
Investments	10,259	11,453
Receivables	669	371
Infrastructure, property, plant and equipment	298,762	289,533
Total non-current assets	309,690	301,357
Total assets	332,154	324,579
LIABILITIES		
Current liabilities		
Payables	458	492
Interest bearing liabilities	2,145	2,142
Provisions	1,448	1,316
Total current liabilities	4,051	3,950
Non-current liabilities		
Payables	0	3,337
Interest bearing liabilities	24,451	26,598
Provisions	83	106
Total non-current liabilities	24,534	30,041
Total liabilities	28,585	33,991
Net assets	303,569	290,588
EQUITY		
Retained earnings	166,737	162,261
Reserves	136,832	128,327
Council equity interest	303,569	290,588
Total equity	303,569	290,588

Port Macquarie - Hastings Council

Statement of Financial Position of Waste Management business activity as at 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	1,744	
Investments	7,977	5,952
Receivables	1,189	1,205
Inventories		
Total current assets	10,910	7,157
Non-current assets		
Investments	142	
Receivables	243	306
Infrastructure, property, plant and equipment	17,691	16,799
Total non-current assets	18,076	17,105
Total assets	28,986	24,262
LIABILITIES		
Current liabilities		
Payables	1	3
Interest bearing liabilities	117	109
Provisions	515	403
Total current liabilities	633	515
Non-current liabilities		
Interest bearing liabilities	0	117
Provisions	435	448
Total non-current liabilities	435	565
Total liabilities	1,068	1,080
Net assets	27,918	23,182
EQUITY		
Retained earnings	17,522	13,229
Reserves	10,396	9,953
Council equity interest	27,918	23,182
Total equity	27,918	23,182

Port Macquarie - Hastings Council

Notes to the Special Purpose Financial Reports as at 30 June 2014

Contents of the notes to the financial statements		Page
Note 1	Significant accounting policies	SP8 - SP10
Note 2	Water Supply Business best practice management disclosure requirements	SP11 - SP12
Note 3	Sewerage Business best practice management disclosure requirements	SP13 - SP15

Note 1 Significant accounting policies for the year ended 30 June 2014

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by the Council and Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these SPFS have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretation. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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 Division 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. Waste management comprises domestic waste management as well as commercial waste operations. As the total annual operating revenues exceed \$2,000,000, it is defined as a "Category 1" Business activity.
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Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one 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 NSW Office of Water, 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 (Special Purpose Financial Statements) 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 SPFS. 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 1.6 cents for each \$ by which the taxable value exceeds \$412,000 but is less than \$2,519,000. A premium rate of 2 cents for each \$ applies where taxable value exceeds \$2,519,000.
Other Taxes for Charges	Adjusted accordingly
Payroll Tax	5.45% on salaries and wages in excess of \$750,000

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.

Income Tax

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

Note 1 Significant accounting policies - continued

Income Tax is only applied where a gain 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 SPFR. The rate applied of 30% is the equivalent company tax rate prevalent as at reporting 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.

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 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

30 June 2014

(continued)

Note 2 Water Supply Business best practice management disclosure requirements**2014
\$****1. Calculation and payment of tax-equivalents**

(i)	Calculated tax-equivalents	516,558
(ii)	No of assessments multiplied by \$3/assessment	93,978
(iii)	Amounts payable for tax-equivalents (lessor of (i) and (ii))	93,978
(iv)	Tax equivalents paid	93,978

2. Dividend from Surplus

(i)	50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines)</i>	112,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	845,802
(iii)	Cumulative surplus before dividends for 3 years to 30 June 2014, less cumulative dividends paid for 2 years to 30 June 2013	3,442,000
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	845,802
(v)	Dividend paid from surplus	939,780

3. Required outcomes for 6 Criteria**Yes/No**

(i)	Complete 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)

\$ ('000)

30,177

= Total Income (w13)

- Grants for Acquisition of Assets (w11a) - Interest Income (w9)

NWI F4 Revenue from Residential Usage Charges (Water)

%

65.73

= Income from residential Usage Charges (w6b) x 100 / (Income from residential usage charges (w6a) + Income from residential access charges (w6b))

NWI F9 Written Down Replacement Cost of Fixed Assets (Water)

\$ ('000)

452,627

= Written down current cost of system assets (w47)

NWI F11 Operating Cost (OMA) (Water)

\$ ('000)

11,624

= Management Expenses (w1) + Operation and Maintenance Expenses (w2)

NWI F14 Capital Expenditure (Water)

\$ ('000)

2,426

= Acquisition of fixed assets (w16)

NWI F17 Economic Real Rate of Return (Water)

%

1.6629

= [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))

NWI F26 Capital Works Grants (Water)

\$ ('000)

1,333

= Grants for Acquisition of Assets (w11a)

Notes

1. References to w (eg. W12) refer to item numbers in Special Schedules Nos. 3 and 4 of each of Council's Annual Financial Statements.

2. 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**2014**
\$**1. Calculation and payment of tax-equivalents**

(i)	Calculated tax-equivalents	959,650
(ii)	No of assessments multiplied by \$3/assessment	86,196
(iii)	Amounts payable for tax-equivalents (<i>lessor of (i) and (ii)</i>)	86,196
(iv)	Tax equivalents paid	0

2. Dividend from Surplus

(i)	50% of surplus before dividends (<i>Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines</i>)	-738,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	775,764
(iii)	Cumulative surplus before dividends for 3 years to 30 June 2014, less cumulative dividends paid for 2 years to 30 June 2013	-805,000
(iv)	Maximum dividend from surplus (<i>least of (i), (ii) and (iii)</i>)	0
(v)	Dividend paid from surplus	0

3. 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) = Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$ ('000)	31,945
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) = Written down current cost of system assets (s48)	\$ ('000)	298,624
NWI F12	Operating Cost (OMA) (Sewerage) = Management Expenses (s1) + Operation and Maintenance Expenses (s2)	\$ ('000)	13,589
NWI F15	Capital Expenditure (Sewerage) = Acquisition of fixed assets (s17)	\$ ('000)	6,480
NWI F18	Economic Real Rate of Return (Sewerage) = [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)	%	2.933
NWI F27	Capital Works Grants (Sewerage) = Grants for Acquisition of Assets (s12a)	\$ ('000)	0
NWI F3	Total Income (Water & Sewerage) = Total income (w13 +s14) + Gain/loss on disposal of assets (W14+S15) - Grants for acquisition of assets (w11a + s12a) - Interest income (w9 + s10)	\$ ('000)	60,221
NWI F8	Revenue from Community Service Obligations (Water and Sewerage) = Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.1939
NWI F16	Capital Expenditure (Water & Sewerage) = Acquisition of fixed assets (w16 + s17)	\$ ('000)	8,906
NWI F19	Economic Real Rate of Return (Water and Sewerage)	%	2.174

Note 3 Sewerage Business best practice management disclosure requirements

$$= \frac{[Total\ Income\ (w13 + s14) - Interest\ Income\ (w9 + s10) - Grants\ for\ Assets\ (w11a + s12a) - Operating\ Cost(NWI\ F11 + NWI\ F12) - current\ cost\ depreciation\ (w3 + s3)] \times 100}{Written\ Down\ Replacement\ Cost\ of\ fixed\ assets\ (NWIF9 + NWIF10) + Plant\ \&\ Equipment\ (w33b + s34b)}$$

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)	940
NWI F21	Dividend Payout Ratio (Water & Sewerage) = Dividend (NWI F20) *100	%	10.94%
NWI F22	Net Debt to Equity (Water and Sewerage) = $\frac{[Overdraft\ (w36 + s37) + Borrowings\ (w38 + s39) - Cash\ and\ investments\ (w30 + s31)] \times 100}{[Total\ Assets\ (w35 + s36) - Total\ Liabilities\ (w40 + s41)]}$	%	- 5.29
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		22.881
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)	8,590
NWI F25	Community Service Obligations (Water and Sewerage) = Grants for pensioner rebates (w11b + s12b)	\$ ('000)	719

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.

**PORT MACQUARIE-HASTINGS COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Port Macquarie-Hastings Council (the Council), which comprises the statement of financial position as at 30 June 2014, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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. 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.

Auditor's Opinion

In our opinion, the special purpose financial statements of Port Macquarie-Hastings Council:

- i) have 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;
 - a) are consistent with the Council's accounting records;
 - b) present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2014 and the results of their operations for the year then ended;
- ii) all information relevant to the conduct of the audit has been obtained; and
- iii) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

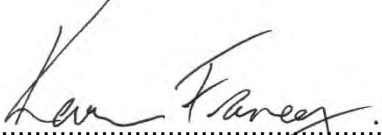
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Port Macquarie-Hastings Council for the year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


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

Port Macquarie-Hastings Council

Special Schedules

for the year ended 30 June 2014

Port Macquarie - Hastings Council

Special Schedules for the year ended 30 June 2014

Contents

Special Schedules (Not Audited)

Page

Special Schedule No. 1	Net cost of services	SS1-SS3
Special Schedule No. 2(a)	Statement of long-term debt (all purpose)	SS4
Special Schedule No. 2(b)	Statement of internal loans (Section 410(3) LGA 1993)	SS5
Special Schedule No. 3	Water supply Income Statement	SS6-SS8
Special Schedule No. 4	Water supply Statement of Financial Position	SS9
Special Schedule No. 5	Sewerage Income Statement	SS10-SS12
Special Schedule No. 6	Sewerage service Statement of Financial Position	SS13
Notes to Special Schedules 3 and 5		SS14
Special Schedule No. 7	Report on Infrastructure Assets	SS15
Special Schedule No. 8	Financial Projections	SS16
Special Schedule No. 9	Permissible Income Calculation	SS17
Auditor's Reports		

Port Macquarie - Hastings Council

Special Schedule No. 1

Net cost of services

for the year ended 30 June 2014

Function or Activity	Expenses from continuing operations '000	Income from continuing operations (non capital) \$'000	Income from continuing operations (capital) \$'000	Net cost of services \$'000
Governance	2,494	16	0	2,478
Adminstration	2,743	367	758	1,618
Public Order and Safety				
Fire Service Levy, Fire protection, Emergency services	1,928	455	166	1,307
Animal Control	205	155	0	50
Beach Control	551	90	0	461
Enforcement of Local Govt Regs	838	514	0	324
Other	151	0	0	151
Total Public Order and Safety	3,673	1,214	166	2,293
Health	0		0	0
Environment				
Noxious Plants and Insect/Vermin control	480	174	0	306
Other Environmental Protection	2,891	1,464	34	1,393
Solid Waste Management	16,930	21,891	0	-4,961
Street Cleaning	146	0	0	146
Drainage	2,381	744	0	1,637
Stormwater Management	349	0	0	349
Total Environment	23,177	24,273	34	-1,130
Community Services and Education				
Administration & Education	1,110	-2	0	1,112
Social Protection (welfare)	1,747	253	0	1,494
Aged Persons and Disabled	221	55	0	166
Childrens Services	145	51	0	94
Total Community Services and Education	3,223	357	0	2,866
Housing and Community Amenities				
Public Cemeteries	1,054	1,146	0	-92
Public Conveniences	856	-79	35	900
Street Lighting	1,049	105	0	944
Town Planning	3,066	1,671	201	1,194
Other Community Amenities	39	18	489	-468
Total Housing & Community Amenities	6,064	2,861	725	2,478

Net cost of services (continued)

Function or Activity	Expenses from continuing operations '000	Income from continuing operations (non capital) \$'000	Income from continuing operations (capital) \$'000	Net cost of services \$'000
Water Supplies	23,998	22,470	14,034	-12,506
Sewerage Services	26,080	20,877	7,426	-2,223
Recreation and Culture				
Public Libraries	2,295	266	179	1,850
Museums	36	0	0	36
Art Galleries	55	59	0	-4
Community Centres & Halls	573	93	1,052	-572
Performing Arts Venues	6,212	1,170	97	4,945
Other Performing Arts	0	0	0	0
Other Cultural Services	999	-2	78	923
Sporting Grounds & Venues	1,236	3	106	1,127
Swimming Pools	828	-136	0	964
Parks and Gardens (Lakes)	4,953	-17	1,619	3,351
Other Sport and Recreation	1,146	62	234	850
Total Recreation and Culture	18,333	1,498	3,365	13,470
Mining, Manufacturing and Construction				
Building Control	2,263	1,508	0	755
	2,263	1,508	0	755
Transport and Communication				
Urban Roads (UR) - Local	8,426	1,036	9,053	-1,663
Urban Roads - Regional	1,826	1,248	0	578
Sealed Rural Roads (SRR) - Local	4,539	-5	402	4,142
Sealed Rural Roads (SRR) - Regional	2,112	-2	0	2,114
Unsealed Rural Roads (URR) - Local	3,944	-6	0	3,950
Unsealed Rural Roads (URR) - Regional	1	0	0	1
Bridges Urban Roads - Local	283	0	150	133
Bridges on Sealed Rural Roads - Local	778	0	0	778
Bridges on Unsealed Rural Roads - Local	756	-1	0	757
Bridges on Regional Roads	423	-1	0	424
Parking Areas	205	-128	131	202
Footpaths	315	36	0	279
Aerodromes	4,254	4,594	5,001	-5,341
Other Transport & Communication	3,607	1,010	3,029	-432
Total Transport and Communication	31,469	7,781	17,766	5,922

Net cost of services (continued)

Function or Activity	Expenses from continuing operations '000	Income from continuing operations (non capital) \$'000	Income from continuing operations (capital) \$'000	Net cost of services \$'000
Economic Affairs				
Camping Areas & Caravan Parks	-99	194	0	-293
Other Economic Affairs	2,173	1,245		928
Total Economic Affairs	2,074	1,439	0	635
Totals - Functions	145,591	84,661	44,274	16,656
General Purpose Revenues (2)			48,527	-48,527
Net operating result for the year (1)	145,591	84,661	92,801	-31,871

Note:

(1) As reported on the Income statement

(2) Includes:

- * Rates and annual charges (including ex-gratia but excluding water and sewer)
- * Non-capital general purpose grants
- * Interest on investments

Special Schedule 1 - Commentary

(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.

Administration

Includes corporate support and other support services and engineering works.

Public order and safety

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

Health

Includes Food control, etc

Environment

Includes noxious plants and insect vermin control, other environmental protection, solid waste management include domestic waste other waste management, other sanitation and garbage, street cleaning, drainage and

Community services and education

Administration and education , social protection (welfare), migrant, aboriginal and other community services and administration, youth services, does not include accommodation, aged persons and disabled, children's' services including family day care, child care, other family and children

Housing and community amenities

Public cemeteries, public conveniences, street lighting, town planning, other community amenities including housing development, accommodation for family and children, aged, disabled, migrants and aboriginal persons

Water Supplies

Sewerage Services

Recreation and culture

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

Mining, manufacturing and construction

Building control, other.

Transport and communications

Urban local, urban regional, sealed, unsealed roads, bridges, footpaths, parking areas, aerodromes, other transport and communication

Economic Affairs

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

Port Macquarie - Hastings Council

Special Schedule No. 2(a)

Statement of long-term debt (all purpose)

for the year ended 30 June 2014

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	7,463	80,209	87,672	1,000	7,781			5,469	7,565	73,326	80,891
State Government	1,135	4,769	5,904		1,135				1,135	3,634	4,769
Total Loans	8,598	84,978	93,576	1,000	8,916	0	0	5,469	8,700	76,960	85,660
Total long term debt	8,598	84,978	93,576	1,000	8,916	0	0	5,469	8,700	76,960	85,660

Port Macquarie - Hastings Council

Special Schedule No. 2(b)

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

for the year ended 30 June 2014

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 Fund	0		0
Total long term debt	0	0	0

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
							-	-	-

Port Macquarie - Hastings Council

Special Schedule No. 3

Water Supply Income Statement

(Gross including Internal Transactions)

for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	3,068	2,985
b. Engineering and Supervision	1,452	926
2 Operation and Maintenance		
Dams and Weirs		
a. Operation expenses	146	129
b. Maintenance expenses	285	536
Mains		
c. Operation expenses	890	828
d. Maintenance expenses	738	709
Reservoirs		
e. Operation expenses	79	90
f. Maintenance expenses	233	355
Pumping Stations		
g. Operation expenses (excluding energy costs)	25	21
h. Energy Costs	836	872
i. Maintenance expenses	500	508
Treatment		
j. Operation expenses (excluding chemical costs)	495	592
k. Chemical Costs	306	174
l. Maintenance expenses	401	287
Other		
m. Operation expenses	1,470	1,195
n. Maintenance expenses	530	506
o. Purchase of Water	170	154
3 Depreciation		
a. System assets	10,731	11,258
b. Plant and equipment	247	230
4 Miscellaneous Expenses		
a. Interest expenses	614	770
b. Other expenses	728	488
NCP Tax & Other Equivalents	517	573
5 Total expenses	<u>24,461</u>	<u>24,186</u>
Income		
6 Residential charges		
a. Access (including rates)	5,374	4,283
b. Usage charges	10,309	11,865
7 Non-residential charges		
a. Access (including rates)	776	1,453
b. Usage charges	3,836	1,269
8 Extra charges	119	121
9 Interest income	1,015	2,388
10 Other income	822	526
11 Grants		
a. Grants for the acquisition of assets	1,333	3,667
b. Grants for pensioner rebates	371	368
c. Other grants	3	
12 Contributions		
a. Developer charges	7,238	-225
b. Developer provided assets	1,058	364
c. Other contributions	270	
13 Total Income	<u>32,524</u>	<u>26,079</u>
14 Gain or (loss) on disposal of assets	<u>-1,562</u>	<u>-143</u>
15 Operating result	<u>6,501</u>	<u>1,750</u>
15a Operating result (less grants for acquisition of assets)	<u>5,168</u>	<u>-1,917</u>

Port Macquarie - Hastings Council

Special Schedule No. 3 (continued) Water Supply Income Statement (Gross including Internal Transactions) for the year ended 30 June 2014

		Actual 2014 \$'000	Actual 2013 \$'000
B	Capital transactions		
	Non-operating expenditures		
16	Acquisition of Fixed Assets		
a.	New assets for Improved Standards	531	2,463
b.	New assets for Growth	1,183	1,246
c.	Renewals	712	2,342
d.	Plant and equipment		24
17	Repayment of Debt		
a.	Loans	1,974	1,827
18	Transfer to sinking fund		
19	Totals	4,400	7,902
	Non-operating funds employed		
20	Proceeds from the disposal of assets	0	0
21	Borrowings utilised		
a.	Loans	399	1,887
22	Transfer from sinking fund		
23	Totals	399	1,887
C	Rates and charges		
24	Number of assessments		
a.	Residential (occupied)	27,950	27,748
b.	Residential (unoccupied ie vacant lot)	807	733
c.	Non-residential (occupied)	2,425	2,526
d.	Non-residential (unoccupied ie vacant lot)	144	135
		31,326	31,142
25	Number of ET's for which developer charges were received	299	234
26	Total amount of pensioner rebates	674	662

Port Macquarie - Hastings Council

Special Schedule No. 3 (continued)

Water Supply - Cross-subsidies for the year ended 30 June 2014

	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>, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidises.		
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 2010/11 (page 47 of Guidelines)		3
**In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i>, NSW Office of Water, December 2002		
29 Disclosure of cross-subsidies		
Total of cross-subsidies (27b+27c+27d+28b)		3

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 - Statement of Financial Position

(Gross including Internal Transactions)
for the year ended 30 June 2014

	Current \$'000	Non current \$'000	Total \$'000
Assets			
30 Cash and investments			
a. Developer charges	1,125	19,804	20,929
b. Specific purpose grants	4,293		4,293
c. Accrued leave	33	570	603
d. Unexpended loans	1,347		1,347
e. Other	19,890		19,890
31 Receivables			
a. Specific purpose grants	306		306
b. Rates and charges	560	213	773
c. User charges	2,901	804	3,705
d. Other	56	1,782	1,838
32 Inventories	252		252
33 Property, plant and equipment			
a. System assets		452,627	452,627
b. Plant and equipment		2,839	2,839
34 Other Assets			0
35 Total assets	30,763	478,639	509,402
Liabilities			
36 Bank overdraft			
37 Creditors	522		522
38 Borrowings			
a. Loans	1,832	8,074	9,906
39 Provisions			
c. Other	1,790	131	1,921
40 Total Liabilities	4,144	8,205	12,349
41 Net assets committed	26,619	470,434	497,053
Equity			
42 Accumulated Surplus			210,936
Asset revaluation reserve			286,117
44 Total equity			497,053
Note to system assets:			
45 Current replacement cost of system assets			557,169
46 Accumulated current cost depreciation of system assets			104,542
47 Written down current cost of system assets			452,627

Port Macquarie - Hastings Council

Special Schedule No. 5

Sewerage Income Statement

(Gross including Internal Transactions)
for the year ended 30 June 2014

	Actual 2014 \$'000	Actual 2013 \$'000
A Expenses and Income		
Expenses		
1 Management Expenses		
a. Administration	1,952	1,813
b. Engineering and Supervision	1,480	1,097
2 Operation and Maintenance		
Mains		
a. Operation expenses	329	138
b. Maintenance expenses	703	632
Pumping Stations		
c. Operation expenses (excluding energy costs)	307	328
d. Energy Costs	551	624
e. Maintenance expenses	1,066	1,972
Treatment		
Operation expenses (excluding chemical , energy, effluent and		
biosolids management costs)	566	422
g. Chemical Costs	111	79
h. Energy Costs	1,112	1,186
i. Effluent management	216	225
j. Biosolids management	1,102	837
k. Maintenance expenses	1,859	1,675
Other		
l. Operation Expenses	2,199	1,542
m. Maintenance expenses	36	40
3 Depreciation		
a. System assets	9,548	9,343
b. Plant and equipment	46	50
4 Miscellaneous Expenses		
a. Interest expenses	1,852	1,615
b. Other expenses	2,832	1,254
NCP Tax & Other Equivalents	960	960
5 Total expenses	28,827	25,832
Income		
6 Residential charges (including rates)	19,465	17,303
7 Non-residential charges		
a. Access (including rates)		1,188
b. Usage charges	1,095	979
8 Trade Waste Charges	14	20
9 Extra charges	95	120
10 Interest income	737	1,965
11 Other income	165	164
12 Grants		
a. Grants for the acquisition of assets	0	0
b. Grants for pensioner rebates	348	345
c. Other grants		0
13 Contributions		
a. Developer charges	5,175	890
b. Developer provided assets	5,588	2,634
c. Other contributions		
14 Total Income	32,682	25,608
15 Gain or loss on disposal of assets	-339	-317
16 Operating result	3,516	-541
16a Operating result (less grants for acquisition of assets)	3,516	-541

Port Macquarie - Hastings Council

Special Schedule No. 5 (continued) Sewerage Income Statement (Gross including Internal Transactions) for the year ended 30 June 2014

		Actual 2014 \$'000	Actual 2013 \$'000
B	Capital transactions		
	Non-operating expenditures		
17	Acquisition of Fixed Assets		
a.	New assets for Improved Standards	270	2,143
b.	New assets for Growth	5,588	4,953
c.	Renewals	622	353
d.	Plant and equipment		
18	Repayment of Debt		
a.	Loans	2,144	1,841
19	Transfer to sinking fund		
20	Totals	8,624	9,290
	Non-operating funds employed		
21	Proceeds from the disposal of assets		
22	Borrowings utilised		
a.	Loans	1,300	2,700
23	Transfer from sinking fund		
24	Totals	1,300	2,700
C	Rates and Charges		
25	Number of assessments		
a.	Residential (occupied)	26,096	25,706
b.	Residential (unoccupied ie vacant lot)	807	793
c.	Non-residential (occupied)	1,685	1,883
d.	Non-residential (unoccupied ie vacant lot)	144	141
		28,732	28,523
26	Number of ET's for which developer charges were received	375	259
27	Total amount of pensioner rebates	633	624

Port Macquarie - Hastings Council

Special Schedule No. 5 (continued)

Sewerage - Cross-subsidies for the year ended 30 June 2014

	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> , NSW Office of Water, 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 2010/2011 (page 47 of Guidelines)		11
 ** In accordance with page 9 of <i>Developer Charges Guidelines for Water Supply, Sewerage and Stormwater</i> , NSW Office of Water , December 2002		
30 Disclosure of cross-subsidies		
Total of cross-subsidies (27b+27c+27d+28b)		11

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 - Statement of Financial Position

(Gross including Internal Transactions)

for the year ended 30 June 2014

	Current \$'000	Non current \$'000	Total \$'000
Assets			
31 Cash and investments			
a. Developer charges	556	9,786	10,342
b. Specific purpose grants			
c. Accrued leave	27	473	500
d. Unexpended loans			
e. Sinking fund			
f. Other	20,984		20,984
32 Receivables			
a. Specific purpose grants	9		9
b. Rates and charges	861	334	1,195
c. User charges	23		23
d. Other		335	335
33 Inventories	4		4
34 Property, plant and equipment			
a. System assets		298,624	298,624
b. Plant and equipment		138	138
35 Other Assets			
36 Total assets	22,464	309,690	332,154
Liabilities			
38 Creditors	458		458
39 Borrowings			
a. Loans	2,145	24,451	26,596
40 Provisions			
c. Other	1,448	83	1,531
41 Total Liabilities	4,051	24,534	28,585
42 Net assets committed	18,413	285,156	303,569
Equity			
43 Accumulated Surplus			166,737
44 Asset revaluation reserve			136,832
45 Total equity			303,569
Note to system assets:			
46 Current replacement cost of system assets			400,316
47 Accumulated current cost depreciation of system assets			101,692
48 Written down current cost of system assets			298,624

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.

Impairment losses (item 4d of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount.

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 Report on Infrastructure Assets as at 30 June 2014

Asset class	Asset category	Estimated cost to bring to a satisfactory standard \$'000	Required annual maintenance \$'000	2013/14 Actual Maintenance \$'000	Written Down Value \$ (WDV) \$'000	Assets in Condition as a % of WDV *				
						1	2	3	4	5
Buildings	Council Offices/Administration Centres	46	275	172	9,044			100.00%		
	Council Works Depot		25	15	1,605		3.00%	5.00%	45.00%	47.00%
	Council Public Halls	381	77	64	5,800	4.10%	12.50%	66.60%	16.80%	
	Libraries	149	89	36	7,784			66.70%	33.30%	
	Cultural Facilities		371	158	45,134	100.00%				
	Amenities/toilets	102	160	148	13,509	6.70%	8.90%	55.60%	28.80%	
	Other Buildings	120	33	166	409			100.00%		
	Specialised Buildings	272	455	12	37,808		6.50%	61.30%	32.20%	
	Sub total	1,071	1,485	771	121,093					
Other Structures	Other Structures	75	75	75	4,599	5.00%	88.00%	6.00%	1.00%	
	Sub total	75	75	75	4,599					
Roads	Sealed Roads Surface	37,471	1,542	1,596	66,466	2.78%	31.26%	47.97%	16.42%	1.57%
	Sealed Roads Structure	86,734	14,507	2,588	257,152	1.91%	12.93%	58.96%	25.82%	0.38%
	Unsealed Roads	17,180	8,028	2,714	29,057	2.10%	8.01%	23.34%	58.08%	8.47%
	Bridges	12,683	1,010	683	122,729	55.66%	33.54%	8.02%	1.27%	1.51%
	Footpaths	4,501	399	423	12,959	32.75%	26.73%	9.28%	28.84%	2.40%
	Cycleways									
	Kerb & Gutter	34,379	1,752	663	77,740	12.81%	25.48%	30.91%	30.10%	0.70%
	Other Road Assets	32,141	1,749	277	18,368	37.97%	8.33%	45.56%	7.43%	0.71%
	Bulk Earthworks	0	0	0	371,105	100.00%				
	Sub total	225,089	28,987	8,944	955,576					
Water Supply Network	Dams/Weirs	0	492	253	61,799		44.00%	56.00%		
	Mains	1,300	1,426	733	184,774	46.00%	40.00%	10.00%	4.00%	
	Reservoirs	250	384	198	149,685	23.00%	45.00%	30.00%	2.00%	
	Pumping Stations	50	823	424	1,405	19.00%	36.00%	43.00%	2.00%	
	Treatment		732	376	19,746	41.00%	50.00%	9.00%		
	Buildings		330	170	12,487	6.00%	67.00%	20.00%	7.00%	
	Other	90	1,028	529	812	30.00%	70.00%			
	Sub total	1,690	5,215	2,683	430,708					
Sewerage Network	Mains	0	651	651	148,106	11.00%	85.00%	1.00%	2.00%	1.00%
	Pumping Stations	0	1,066	1,066	31,474	26.00%	23.00%	36.00%	12.00%	3.00%
	Treatment	0	2,101	2,101	85,454	11.00%	19.00%	51.00%	19.00%	
	Buildings	0	19	19	8,680	39.00%	27.00%	17.00%	17.00%	
	Other	0	20	20						
	Sub total	0	3,857	3,857	273,714					

Port Macquarie - Hastings Council

Special Schedule No. 7
Report on Infrastructure Assets as at 30 June 2014

Asset class	Asset category	Estimated cost to bring to a satisfactory standard \$'000	Required annual maintenance \$'000	2013/14 Actual Maintenance \$'000	Written Down Value \$ (WDV) \$'000	Assets in Condition as a % of WDV *				
						1	2	3	4	5
Stormwater Drainage	Retarding Basins	1,630	145	19	25,032	100.00%				
	Outfalls	100	9	25	16,020	100.00%				
	Stormwater Conduits	11,000	505	197	601	66.00%	19.00%	9.00%	5.00%	1.00%
	Inlet and Junction Pits	4,320	673	267	58,075	55.00%	22.00%	13.00%	6.00%	4.00%
	Head Walls	128	12	25	401	64.00%	26.00%	6.00%	4.00%	
	Outfall Structures									
	Stormwater Converters									
	Other									
	Sub total	17,178	1,344	533	100,129					
Open Space/Recreational Assets	Swimming Pools	4,067	200	200	1,112		14.20%	57.10%		28.70%
	Other Open Space/Recreational Assets	1,395	2,597	2,597	22,750	27.30%	39.60%	20.16%	10.08%	2.86%
	Sub total	5,462	2,797	2,797	23,862					
Other Infrastructure Assets										
	Sub total	0	0	0	0					
Total classes	Total – all assets	250,565	43,760	19,660	1,909,681					

Notes:

* In accordance with Note 9.

Infrastructure Asset Condition Assessment

Level	Condition	Description
1	Excellent	No work required (normal maintenance).
2	Good	Only minor maintenance work required.
3	Average	Maintenance work required.
4	Poor	Renewal required.
5	Very Poor	Urgent renewal/upgrading required.

Port Macquarie - Hastings Council

Special Schedule No 7: Report on Infrastructure Assets as at 30 June 2014

Infrastructure Asset Performance Indicators - Consolidated

\$'000	Amounts	Current year indicators	2013	2012
Building and infrastructure renewals ratio				
Asset renewals (building and infrastructure)	12,747	31.63%	41.50%	20.40%
Depreciation, amortisation and impairment (building and infrastructure)	40,297			
Infrastructure backlog				
Estimated cost to bring assets to a satisfactory condition	250,565	13.06%	11.38%	10.90%
Total value * of infrastructure, building, other structures and depreciable land improvement assets	1,918,113			
Asset maintenance ratio (Benchmark is greater than 1)				
Actual asset maintenance	19,660	0.45	0.41	0.39
Required asset maintenance	43,760			
Capital expenditure ratio (Benchmark is greater than 1:1)				
Annual capital expenditure	53,090	1.17	1.38	0.84
Annual depreciation	45,235			

Infrastructure Asset Performance Indicators - General, Water & Sewer Funds

Current year \$'000	General	Water	Sewer
Building and infrastructure renewals ratio			
Asset renewals (building and infrastructure)	44.82%	22.43%	13.09%
Depreciation, amortisation and impairment (building and infrastructure)			
Infrastructure backlog			
Estimated cost to bring assets to a satisfactory condition	20.51%	0.39%	0.00%
Total value * of infrastructure, building, other structures and depreciable land improvement assets			
Asset maintenance ratio (Benchmark is greater than 1)			
Actual asset maintenance	0.38	0.51	1.00
Required asset maintenance			
Capital expenditure ratio (Benchmark is greater than 1:1)			
Annual capital expenditure	1.42	0.56	1.20
Annual depreciation			

Infrastructure Asset Performance Indicators by Fund

General Fund refers to all Council activities except Water and Sewer.

* Written Down Value

Port Macquarie - Hastings Council

Special Schedule No. 8 Financial projections for the year ended 30 June 2014

	2014 (1) \$'000	2015 (3) \$'000	2016 (3) \$'000	2017 (3) \$'000	2018 (3) \$'000	2019 (3) \$'000	2020 (3) \$'000	2021 (3) \$'000	2022 (3) \$'000	2023 (3) \$'000	2024 (3) \$'000
Recurrent budget											
Income from continuing operations	175,934	175,392	151,226	156,024	159,162	164,734	169,226	173,855	178,617	183,804	188,966
Expenses from continuing operations	144,063	152,741	156,987	161,262	165,166	170,636	176,944	182,735	188,160	194,346	201,975
Operating result from continuing operations	31,871	22,651	-5,761	-5,238	-6,004	-5,902	-7,718	-8,880	-9,543	-10,542	-13,009
Capital budget											
New capital works (2)	53,090	93,605	50,201	39,981	35,573	41,022	40,495	47,335	38,447	37,207	41,673
Replacement/refurbishment of existing assets											
Funded by:											
- Loans	5,518	7,495	5,709	0	0	0	0	1,000	6,000	0	0
- Reserves	12,603	31,296	20,265	17,022	15,498	16,521	17,475	20,853	11,804	15,445	16,543
- Grants	11,594	29,961	1,758	1,758	1,758	1,758	1,758	1,758	1,758	1,758	1,758
- Contributions including S94 & S64	18,833	20,541	18,711	17,137	14,344	19,345	17,888	20,253	15,329	16,395	19,719
- Recurrent revenue	4,542	4,312	3,758	4,064	3,973	3,398	3,374	3,471	3,556	3,609	3,653
- Other											
	53,090	93,605	50,201	39,981	35,573	41,022	40,495	47,335	38,447	37,207	41,673

Notes:

(1) From income statement

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

Port Macquarie - Hastings Council

Special Schedule No. 9

Permissible Income for General Rates

for the year ended 30 June 2014

	2013/14 Calculation \$'000	2014/15 Calculation \$'000
Notional General Income Calculation (1)		
Last Year Notional Income Yield	41,271	42,808
Plus/minus adjustments (2)	121	151
Notional General Income	41,392	42,959
Permissible Income Calculation		
Special Variation (3)		
OR Rate Peg		2.30%
OR Crown land adjustment incl rate peg	3.41%	
Less: expiring special variations amount		
Plus: special variation amount		988
OR Plus: rate peg amount		
OR Plus: Crown land adjustment and rate peg amount	1,411	
Sub total	42,803	43,947
Plus or minus last year's Carry Forward Total	10	0
Less: Valuation objections claimed in previous year	-5	
Sub total	5	0
Total Permissible Income	42,808	43,947
Less: Notional Income yield	42,808	43,917
Catch up or (excess) result	0	30
Plus: income lost due to valuation objections claimed (4)		
Less: unused catch up (5)		
Carry forward to next year	0	30

1. The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.



Thomas Noble & Russell

Accountants | Auditors | Business Advisers

PORT MACQUARIE-HASTINGS COUNCIL

SPECIAL SCHEDULE NO 9

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Port Macquarie-Hastings Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 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.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 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 Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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 entity's internal control.

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 followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

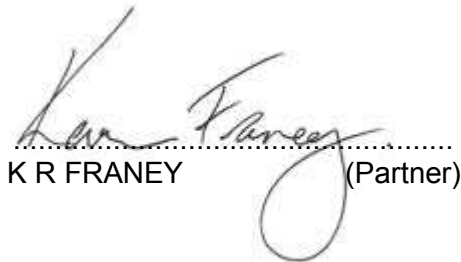
In our opinion, Special Schedule No. 9 of Port Macquarie-Hastings Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:

A handwritten signature in dark ink, appearing to read 'K R Franey', is written over a horizontal dotted line. Below the signature, the text 'K R FRANEY' is printed on the left and '(Partner)' is printed on the right.

Dated at Lismore this 27th day of October 2014