

FINANCIAL REPORT

in Plain English

Introduction

The General Purpose Financial Report shows how the Council performs financially during the 2005/06 financial year and presents the financial position as at the end of the financial year.

Council presents its financial report in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs). Particular terms required by these Standards may not be familiar to some readers. Further, Council is a "not-for-profit" organisation and some of the generally recognised terms used in the private sector corporate reports are not ideally transferable to the Local Government environment. Warringah Council is mindful of its role of acting in the public interest and it is in this context that the plain English guide is provided to assist readers in understanding and analysing the financial report.

What is Contained in the General Purpose Financial Report?

Council's Financial Report has two sections, namely:

- (1) The Principal Financial Statements
- (2) The Notes to and Forming Part of the Principal Financial Statements.

There are four (4) Principal Financial Statements and twenty (20) Notes. These are prepared by Council staff, examined by the Council's Audit Committee and by Council and then audited by an independent Auditor. The four Principal Financial Statements appear immediately after the statement by Council on Pages 2-5 of the General Purpose Financial Report and comprise the following:

- › Income Statement
- › Balance Sheet
- › Statement of Changes in Equity
- › Cash Flow Statement

The Notes detail Council's accounting policies and the make up of values contained in the Principal Financial Statements.

Statement by Councillors and Management

The Statement is made by the Council, the General Manager and the Responsible Accounting Officer to indicate that, in their opinion, the General Purpose Financial Report has met all the statutory and professional reporting requirements and has been prepared in accordance with Council's records.

Income Statement

The Income Statement shows:

- › The sources of Council's Revenue under various income headings
- › The expenses incurred in running the Council during the year

These expenses relate only to the operations and do not include the cost associated with the purchase or the building of assets. While asset purchase costs are not included in expenses

there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.

Code Update No. 14 requires emphasis of the net operating result before capital grants and contributions and indicates that revenues from operations exceeded expenses.

Balance Sheet

This statement is a snap shot of the financial position of the Council as at 30 June 2006. It shows what the Council owns as assets and what it owes as liabilities. The bottom line of this statement is net assets and is equivalent to the net worth of the Council that has built up since incorporation in 1906.

The assets and liabilities are separated into current and non-current. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Statement of Changes in Equity

During the course of the year the value of total equity as set out in the Balance Sheet changes. This Statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity are as follows:

- › Surplus from operations as disclosed in the Income Statement
- › Changes in minority interest of the subsidiary.

Cash Flow Statement

Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values differ from those shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.

Council's cash arises from and is used in three main areas:

- › Operating activities
- › Investing activities – this term relates to only assets such as new capital plant and other long-term revenue producing assets.
- › Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.

The bottom line of the Cash Flow Statement is the cash at the end of the financial year.

Notes to the Accounts

The Notes are a very important and informative section of the Report. Rather than expecting the reader to have a working knowledge of the numerous and forever-changing Australian Accounting Standards, the Notes are provided to enable the reader to understand the basis on which the values shown in the Statements are established. These are described in Note 1.

Apart from the Accounting Policies, the Notes also give details behind many of the summary figures contained in the Statements. The Note numbers are shown beside the relevant items in the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement.

Where Council wishes to disclose other information which cannot be incorporated into the Statements then this is shown in Note 18.

As a result of the adoption of AIFRS from 1 July 2005, the amounts shown in the comparative 2005 figures in these financial statements differ from the amounts shown in Council's 2005 Annual Financial Statements prepared under the then generally accepted accounting principles (GAAP). A new Note 21 has been introduced for the year ended 30 June 2006, showing the 2005 comparatives reconciled to Council's 2005 GAAP financial statements.

The Notes should be read at the same time as, and together with, other parts of the Financial Statements to get a clear picture of the Accounts.

Auditor's Report on the Financial Statements and on the Conduct of the Audit

The independent Audit Report is the external and independent opinion on the Financial Statements. It provides the reader with a totally independent opinion and covers both the statutory and professional requirements and also the fairness aspects of the Financial Statements.

Local Government Financial Health Check

Attached to this plain English guide is Council's Sustainable Finances Health Check prepared in accordance with the industry's accepted guidelines.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

REVENUE SOURCES

Information Note - Revenue Sources

Information Note Title: Sources of Total Ordinary Revenue Before Capital

Indicator Definition: Revenue from Ordinary Activities is classified by source

	Last Year - 2 June 2003	% age of Total Revenue	Last Year - 1 June 2004	% age of Total Revenue	Last Year June 2005	% age of Total Revenue	Current Year June 2006	% age of Total Revenue
Rates & Charges								
General Purpose	44,989	48.89%	47,147	48.73%	49,061	49.91%	51,176	49.90%
Specific Purpose (DWM)	10,972	11.92%	11,911	12.31%	10,407	10.59%	9,786	9.54%
User Charges & Fees	21,030	22.86%	21,032	21.74%	21,195	21.56%	21,352	20.82%
Interest	3,391	3.69%	4,395	4.54%	5,385	5.48%	5,540	5.40%
Grants (Operating)								
General Purpose	3,734	4.06%	3,766	3.89%	3,851	3.92%	4,025	3.92%
Specific Purpose	4,038	4.39%	4,276	4.42%	3,600	3.66%	4,149	4.05%
Contributions	1,285	1.40%	940	0.97%	1,345	1.37%	2,273	2.22%
Profit on Sales of Assets	0	0.00%	182	0.19%	306	0.31%	0	0.00%
Other	2,574	2.80%	3,110	3.21%	3,150	3.20%	4,250	4.14%

Total Revenues from Continuing Operations less Capital Grants & Contributions

	\$92,013	100.00%	\$96,759	100.00%	\$98,300	100.00%	\$102,551	100.00%
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Commentary: Trend analysis for 2006 very similar to 2005, although greater management focus on generating User Charges and Fees is recommended. Domestic Waste Management revenue decreased by 5.97% due to lower charges.

CASH/LIQUIDITY POSITION

Indicator # 1

Cash /Liquidity Position- after accounting for external reserves

1.1 Indicator Definition: Current Assets less Externally Restricted Current Assets /Current Liabilities less Specific

Purpose Current Liabilities

Indicator / Local Government Benchmark:

Greater than 2:1

Between 1:1 and 2:1

Less than 1:1

Successive years > 10:1

1.2 Indicator Definition: Available cash position

[a] Available cash Assets /Total Ordinary Revenue before Capital

b] Unrestricted Available Cash Assets /Total Ordinary Revenue before Capital

Indicator /Local Government Benchmark: For Information Only

1.3 Indicator Definition: Availability of Cash Assets as a % of Total Revenue

[a] Available Cash Assets

b] Unrestricted Available Cash Assets /

Indicator /Local Government Benchmark: For Information Only

1.1 Unrestricted Current Ratio

	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009
	3.52	3.66	3.15	3.39

Commentary: Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due. During 2007 it is expected that this ratio will increase slightly.

1.2 Available Cash Position

	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009
[a]	\$55,197	\$54,581	\$30,946	\$33,164
[b]	\$19,324	\$15,291	\$10,708	\$11,296

Commentary: This indicator is used to interpret indicator 1.1 in \$ amount. More than adequate funds available, providing the capacity to respond to opportunities or react to unforeseen commitments that may arise. Based on forecasted cashflows, it is expected that Cash Assets will decrease in 2008 due to increased Capital Works Program inaccordance with adopted Long Term Financial Strategy.

1.3 Availability of Cash Assets as a % of total Revenue

	Year Ended June 2006	Year Ended June 2007	Year Ended June 2008	Year Ended June 2009
[a]	53.82%	52.48%	29.19%	30.71%
[b]	18.84%	14.70%	10.10%	10.46%

Commentary: This indicator is used to interpret indicator 1.1 in % amount. This demonstrates that Council funds are available either for unplanned works or commitments or the existence of emergency provisions.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

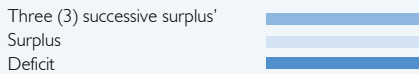
OPERATING RESULT

Indicator # 2 - Operating Result - using trend analysis

Result from Continuing Operations before Capital Grants & Contributions

Indicator Definition: Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result or 'Profit' after depreciation

Indicator / Local Government Benchmark:



Year Ended June	Year Ended June	Year Ended June
2004	2005	2006
4,419	7,490	5,024

Commentary: Council continues to generate sufficient revenue to cover its operating expenditure, including depreciation based on out of date valuations.

As this analysis assumes that the current depreciation provisions are adequate to provide for the replacement of existing assets, it should be considered with caution.

ASSET RENEWAL EXPENDITURE

Indicator # 3 - Asset Renewal Expenditure

Indicator Title: Asset Renewal

Indicator Definition: Capital Renewal Capacity - amount of funds spent on renewing assets (as opposed to maintaining them = Capital Expenditure on Existing Assets/ Annual Depreciation

Indicator / Local Government Benchmark:



Year Ended June	Year Ended June	Year Ended June	Year Ended June
2004	2005	2006	2007
0.33	0.35	0.30	0.80

Commentary: This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has been adopted through the Long Term Financial Strategy for 2006/07 and beyond.

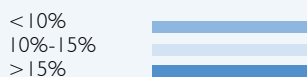
DEBT SERVICE RATIO

Indicator # 4 - Debt Service Ratio

Debt Service Ratio

Indicator Definition: Net Debt Service Cost/Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:



Year Ended June	Year Ended June	Year Ended June	Year Ended June
2006	2007	2008	2009
2.22%	3.52%	3.05%	2.96%

Commentary: This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments). Council's ability to service its debt is excellent. In 2006/2007 Council's net Debt Service Cost will increase due to repayment of an interest only loan of \$1.346M.

In 2007-2008 a new borrowing of \$10.6m has been allowed for the Netball Project.

COLLECTION PERFORMANCE

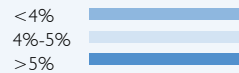
Indicator # 5 - Collection Performance

5.1 Outstanding Rates, Charges & Fees

5.2 Rates, Annual, Interest and Extra charges outstanding

Indicator Definition: 5.1 Total Outstanding Rates Charges and Fees/ Invoices raised plus Arrears B/Fwd. 5.2 Rates, Annual, Interest and Extra Charges Outstanding/Rates Annual, Interest and Extra Charges Collectible

Indicator / Local Government Benchmark:



	Year Ended June	Year Ended June	Year Ended June	Year Ended June
	2006	2007	2008	2009
5.1	4.13%	3.95%	3.90%	3.85%
5.2	4.08%	3.90%	3.85%	3.80%

Commentary: 5.1 Outstanding rates, charges & fees indicator measures the effectiveness of Council in recovering all debts legally owed to it whereas During 2005/06 Council has been very active in the recovery of other debtors. The 4.13% for outstanding rates, charges & fees compares with 5.08% in 2004/05.

5.2 Rates, annual, interest and extra charges outstanding assesses only the impact of Rates, annual, interest and extra charges on liquidity adequacy of recovery efforts.

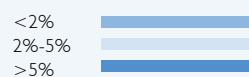
RE-VOTES OF EXPENDITURE

Indicator # 6 - Re - Votes of Expenditure

Re-Votes of Expenditure

Indicator Definition: Revotes / Ordinary and Capital Expenditure

Indicator / Local Government Benchmark:



Year Ended June	Year Ended June	Year Ended June	Year Ended June
2003	2004	2005	2006
2.71%	3.55%	1.06%	3.38%

Commentary: The existence of re-votes at year end indicates that funded projects/ outcomes were not delivered in accordance with the management plan.

Improvement is required in the planning and completion of agreed works. Further, it should be noted that \$428K of carry-overs comprised operational activities.

FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

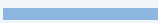
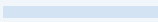
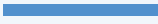
REVENUE SOURCES

Indicator # 7 - Management Practices

Accuracy /Timeliness of Financial Data /Budget /Compliance

Indicator Definition: As Indicated Below

Indicator / Local Government Benchmark:

8 to 10 Achieved 
5 to 7 Achieved 
< or = 4 Achieved 

	Year Ended June 2002	Year Ended June 2003	Year Ended June 2004	Year Ended June 2005	Year Ended June 2006
1. Financial Bottom Line (before capital matched to forecasts to a level of + or - 10%	No	No	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline	Yes	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end	Yes	Yes	Yes	Yes	Yes
5. Do you report quarterly - within 21 days of quarter end	No	No	No	No	No
6. Do you report annually - within 21 days of year end	No	No	No	No	No
7. Budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year	No	No	No	No	No
8. Rigour of budget review and then ongoing monthly/ quarterly budget to actual results analysis	No	Yes	Yes	Yes	Yes
9. Does RAO (Responsible Accounting Officer) formally report to Council on the sign off of Financial Statements - Section 413 (2) (c)	Yes	Yes	Yes	Yes	Yes
10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice.	Yes	Yes	Yes	Yes	Yes
	5	6	6	6	6

Commentary: Monthly reporting to management will be extended to monthly budget reporting to management in 2006/07. In 2006/07 a new Financial system is being planned and implemented, to assist us in striving for the 'Green Light' status.

ANNUAL FINANCIAL REPORTS

for the year ended 30 June 2006

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ANNUAL FINANCIAL STATEMENTS

for the year ending 30 June 2006

STATEMENT BY COUNCILLORS AND MANAGEMENT

MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

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

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

To the best of our knowledge and belief, these reports

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

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

Signed in accordance with a resolution of Council made on 12 September 2006



Dick Persson

ADMINISTRATOR



Stephen Blackadder

GENERAL MANAGER



Gary Mottau

RESPONSIBLE ACCOUNTING OFFICER

ANNUAL FINANCIAL STATEMENTS

INCOME STATEMENT

BUDGET 2006 \$'000		Actual 2006 \$'000	Actual 2005 \$'000
60,090	INCOME Revenue: N=Notes		
22,163	Rates & Annual Charges N3	60,962	59,468
3,767	User Charges & Fees N3	21,352	21,195
5,940	Investment Revenues N3	5,540	5,385
8,518	Other Revenues N3	4,250	3,150
3,059	Grants & Contributions – Operating N3	10,447	8,796
	Grants & Contributions – Capital N3	2,910	2,916
	Other Income:		
	Profit from Disposal of Assets N5	-	306
103,537	Total Revenues from Continuing Operations	105,461	101,216
EXPENSES			
40,303	Employee Costs N4	38,676	35,091
29,193	Materials & Contracts	35,160	34,319
633	Borrowing Costs N4	942	1,013
11,593	Depreciation & Amortisation N4	11,785	11,803
20,303	Other Expenses N4	8,297	8,200
-	Loss from Disposal of Assets N5	2,347	-
-	Loss from interests in Joint Ventures & Associates N19	320	384
102,025	Total Expenses from Continuing Operations	97,527	90,810
1,512	OPERATING RESULT FROM CONTINUING OPERATIONS	7,934	10,406
1,512	NET OPERATING RESULT FOR YEAR	7,934	10,406
(1,450)	Share attributable to Minority Interests N19	(1,105)	(1,356)
62	NET SURPLUS ATTRIBUTABLE TO COUNCIL	\$6,829	\$9,050
(1,547)	Net operating result before capital grants and contributions	\$5,024	\$7,490

This Statement is to be read in conjunction with the attached Notes.

BALANCE SHEET

	Actual 2006 \$'000	Actual 2005 \$'000
CURRENT ASSETS		
Cash & cash equivalents N6	79,704	80,492
Investments N6	-	-
Receivables N7	4,395	5,047
Inventories N8	155	127
Other N8	529	813
TOTAL CURRENT ASSETS	84,783	86,479
NON-CURRENT ASSETS		
Investments N6	12,154	12,000
Receivables N7	414	503
Investments accounted for using the equity method N19	774	685
Infrastructure, Property, Plant & Equipment N9	3,239,624	3,235,888
Investment Property N14	1,910	1,870
TOTAL NON-CURRENT ASSETS	3,254,876	3,250,946
TOTAL ASSETS	3,339,659	3,337,425
CURRENT LIABILITIES		
Payables N10	13,894	15,852
Borrowings N10	2,814	1,472
Provisions I0	9,575	8,815
TOTAL CURRENT LIABILITIES	26,283	26,139
NON-CURRENT LIABILITIES		
Payables N10	-	-
Borrowings N10	7,643	9,931
Provisions N10	6,995	7,625
TOTAL NON CURRENT LIABILITIES	14,638	17,556
TOTAL LIABILITIES	40,921	43,695
NET ASSETS \$	3,298,738	3,293,730
EQUITY		
Accumulated Surplus N20	3,295,384	3,288,394
Council Equity Interest	3,295,384	3,288,394
Minority Equity Interest N19	3,354	5,336
TOTAL EQUITY \$	3,298,738	3,293,730

STATEMENT OF CHANGES IN EQUITY

	Accum Surplus	Asset Reval. Reserves	Other Reserves	Council Equity	Minority Interest	2006 \$'000 Total
Balance at beginning of the reporting period	3,288,394	-	-	3,288,394	5,336	3,293,730
Adjustment on adoption of AASB 132 & AASB 139 N21	161	-	-	161	-	161
Distributions to Outside Equity Interests N19	-	-	-	-	(3,087)	(3,087)
Net movements recognised directly in equity	161	-	-	161	(3,087)	(2,926)
Change in Net Assets recognised in the Balance Sheet	6,829	-	-	6,829	1,105	7,934
Balance at end of the reporting period	3,295,384	-	-	3,295,384	3,354	3,298,738

	Accum Surplus	Asset Reval. Reserves	Other Reserves	Council Equity	Minority Interest	2005 \$'000 Total
Balance at beginning of the reporting period	3,279,344	-	-	3,284,474	5,130	3,284,474
Adjustment on adoption of AASB 132 & AASB 139 N21 -	-	-	-	-	-	-
Distributions to Outside Equity Interests N19-	-	-	-	-	(1,150)	(1,150)
Change in Net Assets recognised in the Balance Sheet	9,050	-	-	9,050	1,356	10,406
Balance at end of the reporting period	3,288,394	-	-	3,293,524	5,336	3,293,730

CASH FLOW STATEMENT

Budget 2006 \$'000		Actual 2006 \$'000	Actual 2005 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES N=Notes		
	Receipts		
60,090	Rates & Annual Charges	60,794	59,515
24,379	User Charges & Fees	23,808	22,838
3,766	Investments Income	5,562	5,368
12,734	Grants & Contributions	14,012	11,999
6,542	Other operating receipts	7,810	6,312
	Payments		
(40,303)	Employee Costs	(37,755)	
(32,111)	Materials & Contracts	(40,209)	(36,749)
(633)	Borrowing Costs	(864)	(762)
(22,333)	Other operating payments	(11,666)	(12,656)
12,131	Net Cash provided by (or used in) Operating Activities N11	21,492	21,517
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Receipts		
1,893	Proceeds from sale of Infrastructure, Property, Plant & Equipment	2,221	2,546
	Payments		
(13,177)	Purchase of Infrastructure, Property, Plant & Equipment	(19,349)	(12,705)
	Purchase of Investment Securities	-	(8,000)
	Distributions from joint ventures to minority interests N19	(3,797)	(466)
	Capital contributed to associated entities N19	(409)	(412)
(11,284)	Net Cash provided by (or used in) Investing Activities	(21,334)	
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Receipts		
	Proceeds from Borrowings & Advances	513	661
	Payments		
(796)	Repayments of Borrowings & Advances	(794)	(758)
	Repayment of Finance Lease Liabilities	(665)	(794)
	Repayment of Retirement Home Contributions	-	
(796)	Net Cash provided by (or used in) Financing Activities	(946)	(891)
51	Net Increase (Decrease) in cash held	(788)	1,589
80,492	Cash Assets at beginning of reporting period N11	80,492	78,903
	Adjustment to Cash arising from Council restructure	27	
80,543	Cash Assets at end of reporting period N11	79,704	80,492

This Statement is to be read in conjunction with the attached Notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 1

Note 1 SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations thereunder and the Local Government Code of Accounting Practice and Financial Reporting.

1.2 Compliance with International Financial Reporting Standards

AIFRS include certain specific provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 Financial Reporting by Local Governments also applies. Except to the extent that these special provisions require, these financial statements comply with International Financial Reporting Standards.

1.3 Application of AASB 1 First-time Adoption of AIFRS

These statements are the first Warringah Council financial statements to be prepared in accordance with AIFRS and AASB 1 has been applied in their preparation. Previous financial statements have been prepared in accordance with the former Australian Generally Accepted Principles (GAAP) which differ in certain respects from AIFRS. When preparing these financial statements, Council has amended certain accounting and valuation methods applied in GAAP to comply with AIFRS. With the exception of financial instruments, where Council has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005, the comparative figures have been

restated to reflect these adjustments.

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

1.4 Historical Cost Convention

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

1.5 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or cases where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note. Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

2. The Local Government Reporting Entity

Warringah Council is incorporated under the NSW Local Government Act 1993 (as amended) and has its principal place of business at Civic Centre, 725 Pittwater Road, Dee Why. These financial statements include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

The following Special Rate funds and Committees established pursuant to the Act are included:

- › Allambie Heights Community Centre
- › Beacon Hill War Memorial Hall
- › Collaroy Plateau Progress Hall
- › Cromer Community Centre

- › Curl Curl Sports Centre Management Committee
- › Curl Curl Youth & Community Centre
- › Forest Community Arts Centre
- › Forestville Memorial Hall
- › Forestville Youth Centre
- › Forestville RSL Playing Field Committee
- › Frenchs Forest Showground Management Committee
- › Glen Street Theatre
- › Harbord Literary Institute
- › Lionel Watts Park
- › North Balgowlah Community Centre
- › Terrey Hills Community Centre
- › Tramshed Community Centre
- › Wyatt Avenue Tennis Centre

Other joint ventures and associated entities in which Council is involved are included to the extent set out in paragraph 14 below and in Note 19.

2.1 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 monies 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 these monies. Trust monies and property subject to Council's control have been included in these reports.

3. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the Council obtains control over the assets comprising the revenue, or when the amount becomes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those

undischarged conditions are disclosed in these notes as restricted assets. Also disclosed is the amount of grants, contributions and receivables recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

4. Cash Assets and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder. Other receivables are generally unsecured and do not bear interest. Loans made to sporting and community groups at concessional interest rates are recognised at their nominal amounts; interest revenues foregone by the Council effectively being a reduction of interest revenue in the period to which it relates.

All receivables are reviewed as at the reporting date and adequate provision made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. Financial instruments classified as loans and receivables and held-to-maturity are subsequently measured at amortised cost using the effective interest method. Other financial instruments classified as fair value through profit and loss and available-for-sale, are subsequently measured at fair value where an active market exists, or at cost. Details of classifications of financial instruments are given in Note 15.

5.1 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in

respect of business undertakings have been valued at the lower of cost and net realisable value.

5.2 Other Real Estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are carried at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with Chapter 17 of the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

6. Property, Plant & Equipment

6.1 Transitional Provisions

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year under review are provided in Note 9 to these accounts.

6.3 Valuation

Detail of valuations, methods and valuers are provided at Note 9. Plant, equipment and similar assets are carried at historical cost less accumulated depreciation.

6.4 Depreciation of Non-Current Assets

Other than land, all assets recognised

are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are provided in Note 9 to these accounts. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

6.5 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 1023 Borrowing Costs. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 4, and the amount (if any) of interest revenue offset against borrowing costs in Note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 1

7. Payables

7.1 Goods and Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance and Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

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

9. Employee Benefits

9.1 Salaries, Wages and Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119 Employee Benefits.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2005/06; 9% in 2004/05). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (NIL% in 2004/2005). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

10. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state highways) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised

as receivables and reimbursements received in advance are recognised as "payments received in advance".

11. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities.

Entities over which Council exercises "control" (as defined in the Standards) have been consolidated in accordance with Australian Accounting Standard AAS 24 (AASB 1024) "Consolidated Financial Reports", Kimbriki Recycling and Waste Disposal Centre, and are disclosed in detail in Note 19 (a). An annual provision is made for the ultimate cost to embellish the site operated by Kimbriki Recycling and Waste Disposal Centre, on closure. In excess of \$8.078 million of real estate has been restricted for this purpose.

Entities over which no Council exercises "control" have been accounted for in accordance with Australian Accounting Standard AAS 19 (AASB 1006) "Accounting for Interests in Joint Ventures", Warringah and Pittwater Rural Bushfire Service, and are disclosed in detail in Note 19 (b).

12. Leases

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased

items, lease payments are charged to expense over the lease term.

13. GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- › Receivables and Creditors include GST receivable and payable.
- › Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- › Non-current assets and capital expenditures include GST net of any recoupment.
- › Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

14. Revaluation of Land

Council has taken this one-off opportunity offered by AIFRS to re-align its asset systems, effective 1 July 2004.

In doing so, Council Officers have used the Valuer General's rate on all Council lands and divided it by the square metres of land held. As resolved at Council meeting on 30 August 2005, this has given a municipal rate of \$ 175.70 per square metre for all land with the exception of commercially held land, which has been valued at \$1,300.35 per square metre, and the valuation will be deemed at cost for all future accounting periods.

These values differ from the previously held municipal rate of \$325 per square metre that had included values of land within vicinity i.e. including some residential land. This has resulted in a reduction in land value from \$3.5b to \$2.7b. The \$0.8b reduction is shown as a reduction in equity and does not effect Council's operating result.

15. Budget Information

The Statement of Financial Performance, Statement of Cash Flows and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations

throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

16. Rounding

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements are in Australian currency and have been rounded to the nearest thousand dollars.

17. New Accounting Standards & UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2006 reporting period.

- › UIG 4
Determining whether an Asset contains a Lease
- › UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- › AASB 2005-8
Amendments to AASB 4, AASB 1023, AASB 139 & AASB 132
- › AASB 7
Financial Instruments: Disclosures and AASB 2005-10 Amendments to AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038
- › UIG 6
Liabilities arising from participating in a Specific Market – Waster Electrical and Electronic Equipment
- › AASB 2005-6
Amendments to AASB 121

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 2

NOTE 2- FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES

	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED		TOTAL ASSETS HELD	
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	IN INCOME		current & non-current	
	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Living Spaces	9,727	12,038	9,107	25,745	25,232	22,061	(23,791)	(13,194)	(12,954)	1,677	535	235,030	231,317
Living Environment	20,432	20,521	20,676	25,861	23,562	23,315	(6,893)	(3,041)	(2,639)	604	634	171,670	173,029
Living Communities 2,510,104	11,546	10,492	10,566	22,904	20,659	20,153	(11,420)	(10,167)	(9,587)	2,316	2,503	1,866,736	
Living Organisation	11,122	11,349	12,198	27,415	27,696	24,884	(5,323)	(16,347)	(12,686)	6	30	1,066,223	422,975
Living Enterprises	-	-	-	100	58	13	(100)	(58)	(13)	-	-	-	-
Consolidated Other Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals - Functions	52,827	54,400	52,547	102,025	97,207	90,426	(47,527)	(42,807)	(37,879)	4,603	3,702	3,339,659	3,337,425
General Purpose													
Revenues	50,710	51,061	48,669	-	-	-	50,710	51,061	49,061	4,025	3,851	-	-
Interest In Joint Venture Share	-	-	-	-	320	384	-	(320)	(384)	-	-	-	-
Attributable To Minority Interests	-	-	-	-	-	-	(1,105)	(1,356)	-	-	-	-	-
TOTALS	103,537	105,461	101,216	102,025	97,527	90,810	3,183	6,829	9,442	8,628	7,553	3,339,659	3,337,425

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 3

NOTE 3 - REVENUES

RATES & ANNUAL CHARGES	2006	2005
	\$'000	\$'000
Ordinary Rates		
Residential	40,789	39,082
Business	10,387	9,979
	51,176	49,061
Annual Charges		
Domestic Waste Management	9,786	10,407
Total Rates & Annual Charges	60,962	59,468

USER CHARGES & FEES

User Charges		
Other Waste Management	517	554
Fees		
Planning & Building	2,493	2,789
Parking Areas	274	309
Libraries	125	119
Community Centres	1,132	909
Childcare	2,495	2,268
Glen Street Theatre	1,640	1,989
Swimming Centre	1,998	2,098
Sect 611 Charges	60	58
Rent & Hire of Council Property	1,870	1,283
Sect 603 Charges	166	151
Dog Registration/Road Inspection Fees	413	482
Kimbriki Waste & Recycling Centre	7,409	7,532
Other	760	654
	20,835	20,641
Total User Charges & Fees	21,352	21,195

INVESTMENT REVENUES

Interest on overdue rates & charges	179	182
Interest on investments attributable to: -		
Sect 94 Contributions	1,630	1,926
Other Investments	1,450	1,503
Other Managed Funds	2,287	1,774
Premiums recognised on financial instruments	(6)	-
Total Investment Revenues	5,540	5,385

OTHER REVENUES

Commissions & Agency Fees	-	1
Rental Income - Investment Property	95	-
Ex gratia payments in lieu of Rates	24	22
Fair value adjustments - investment property	40	(20)
Fines	2,030	1,444
Insurance Claims	22	12
Sponsorships/Sullage Income/Mayoral Ball	269	166
Legal Fees Recovery (Rates)	312	238
Recycling Income (Non domestic)	723	598
Sales - General	347	324
Other	388	365
Total Other Revenues	4,250	3,150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 3

OPERATING CAPITAL

	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
GRANTS				
General Purpose (Untied)				
Financial Assistance	3,244	3,084	-	-
Pensioner Rates Subsidies (General)	781	767	-	-
Specific Purpose				
Domestic Waste Management	174	212	-	-
Community Centres	346	275	34	-
Roads & Bridges	1,217	408	-	87
Coast & Estuaries	438	446	391	15
Heritage & Cultural Services		341	345	-
Community Care Services	1,633	1,914	29	-
Total Grants & Subsidies	8,174	7,451	454	102

Comprising:

Commonwealth funding	4,841	4,127	-	-
State funding	3,333	3,324	454	102
	8,174	7,451	454	102

CONTRIBUTIONS & DONATIONS

Developer Contributions				
Traffic Facilities N17	-	-	227	285
Parking N17	-	-	617	159
Open Space N17 -	-	-	1,178	1,650
Community Facilities N17	-	-	319	416
Other N17	-	-	115	304
RTA Contributions	1,018	924	-	-
Other Councils - SHOROC	146	130	-	-
Coast & Estuaries	25	151	-	-
Community Centres	1,041	38	-	-
LEMC Contributions	6	62	-	-
Other	37	40	-	-
Total Contributions & Donations	2,273	1,345	2,456	2,814

TOTAL GRANTS & CONTRIBUTIONS **10,447** **8,796** **2,910** **2,916**

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2006 \$'000		2005 \$'000	
	Grants	Contrib	Grants	Contrib
Unexpended at the close of the previous reporting period	939	31,031	1,253	32,297
Less: expended during the current period from				
Section 94/64 Developer Contributions	10,518			6,388
Community Centres	30		38	
Roads & Bridges	0		286	
Coast & Estuaries	175		389	
Heritage & Cultural Services	24		0	
Community Care Services	158		138	
Subtotal	387	10,518	851	6,388

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 3

Plus: amounts recognised as revenues in this reporting period
but not yet expended in accordance with the conditions
Section 94/64 Developer Contributions and Interest earned

	2006 \$'000		2005 \$'000	
	Grants	Contrib	Grants	Contrib
<i>Interest</i>		4,086		5,122
Community Centres	65		52	
Roads & Bridges	540		0	
Coast & Estuaries	182		296	
Heritage & Cultural Services	84		51	
Community Care Services	179		115	
Infrastructure	356		0	
Other	156		23	
Subtotal	1,562	4,086	537	5,122
Unexpended at the close of this reporting period and held as restricted assets	2,114	24,599	939	31,031
Net increase (decrease) in restricted assets in the current reporting period	1,175	(6,432)	(314)	(1,266)

OPERATING LEASES providing revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property above.

Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also included above. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

Lessee commitments under all non-cancellable lease agreements, including those relating to Investment property, are as follows:

	2006 \$'000	2005 \$'000
Not later than one year	94	151
Later than one year and not later than 5 years	263	357
	357	508

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 4

NOTE 4 - EXPENSES	2006	2005
EMPLOYEE COSTS	\$'000	\$'000
Salaries and Wages	31,105	28,780
Travelling	74	97
Employee Leave Entitlements	4,222	3,315
Superannuation - defined contribution plan contributions	2,767	2,115
Workers' Compensation Insurance	(127)	292
Fringe Benefits Tax	176	63
Training Costs (excluding Salaries)	459	394
Other	530	536
Less: Capitalised and distributed costs	(530)	(501)
Total Operating Employee Costs	38,676	35,091
Total Number of Employees	559	526
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Loans	623	693
Charges on Finance Leases	55	69
Unwinding of present value discounts & premiums	264	251
Total Interest Charges	942	1,013
MATERIALS & CONTRACTS		
Raw materials & consumables	-	-
Contractor and consultancy costs	33,915	32,426
Auditor's Remuneration		
- Audit Services	42	58
- Other Services	16	15
Legal Expenses		
- Planning & Development	709	1,255
- Other Legal Expenses	324	370
Operating Lease Rentals - non-cancellable		
- minimum lease payments	154	195
Total Materials & Contracts	35,160	34,319
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Plant and Equipment	1,586	1,494
Office Equipment	379	389
Furniture & Fittings	308	299
Leased Property, Plant & Equipment	777	729
Land Improvements	4	4
Buildings	1,240	1,227
Other Structures	266	229
- roads, bridges & footpaths	3,317	3,302
- stormwater drainage	3,277	3,275
- library books	463	526
- other	5	171
Future Reinstatement Costs		
- Tips	163	158
Total Depreciation, Amortisation & Impairment	11,785	11,803

Allocation between Depreciation & Amortisation, and Impairment is shown in Note 9.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 4, 5

OTHER EXPENSES	2006	2005
	\$'000	\$'000
Advertising	444	403
Bad and Doubtful Debts	91	52
Donations & Contributions to Local & Regional Bodies	222	236
Insurances	640	1,075
Light, Power & Heating	821	835
Administrators Expenses	200	200
SHOROC Contribution	120	-
Payments to other levels of Government	3,303	3,116
Street Lighting	1,407	1,263
Data Services	250	223
Telephone & Communications	783	785
Interest on Bonds & Deposits	16	12
Total Other Expenses	8,297	8,200

NOTE 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

DISPOSAL OF PROPERTY

Proceeds from disposal	61	1,019
Less: Carrying amount of assets sold	2,416	988
Gain (Loss) on disposal	(2,355)	31

DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT

Proceeds from disposal	1,491	1,993
Less: Carrying amount of assets sold	1,483	1,640
Gain (Loss) on disposal	8	353

DISPOSAL OF FINANCIAL INSTRUMENTS

Available-for-sale

Proceeds from disposal	-	-
Less: Carrying amount of assets sold	-	78
"Less: Revaluation increments previously transferred to Asset Revaluation Reserve"	-	(78)
Gain (Loss) on disposal	-	(78)
Total Gain (Loss) on Disposable Assets	(2,347)	306

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 6

Note 6 (b) Cash Assets and Investment Securities

	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
CASH ASSETS				
Cash on Hand and at Bank	1,140	-	3,020	-
Deposits at Call	5,028	-	4,910	-
Managed Funds	73,536	-	72,562	-
Total Cash Assets	79,704	-	80,492	-

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

INVESTMENT SECURITIES

Summary

Financial assets at fair value through profit and loss	-	12,154	-	12,000
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Total	-	12,154	-	
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Financial assets at fair value through profit and loss

At beginning of year	-	12,000	-	12,000
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Adjustment on adoption of AASB 132 & AASB 139	-	161	-	-
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Revaluation to Income Statement	-	(7)	-	-
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At end of year	-	12,154	-	12,000
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Held for trading:

- FRNs	-	12,154	-	12,000
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	-	12,154	-	12,000
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The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 15 July 2005, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 5.50% and 5.95% (2005 - 5.31% and 5.87%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that comply with the Minister's Order and bear various rates of return between 5.57% and 7.22% (2005 - 5.98% and 6.28%).

	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
EXTERNAL RESTRICTIONS				
Included in liabilities				
Unexpended Loans				
Domestic Waste Management	221	-	151	-
Environmental Stormwater Levy	-	-	9	-
	221	-	160	-
Other				
Developer Contributions N17	15,030	9,150	20,865	9,747
RTA Contributions	-	323	-	323
Unexpended Grants N14	2,114	-	939	-
Sportsfield Levy	1,890	2,681	1,919	1,805
Environmental Stormwater Levy	2,834	-	2,312	-
Domestic Waste Management	2,367	-	2,902	-
Other	51	-	-	125
	24,286	12,154	28,937	12,000
Total External Restrictions	24,507	12,154	29,097	12,000
Total Internal Restrictions	35,873	-	35,140	-
TOTAL UNRESTRICTED	19,324	-	16,255	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES	79,704	12,154	80,492	12,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 6

Note 6 (b) Cash Assets and Investment Securities

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Opening	Movements		Closing
	Balance 30 June 2005	Transfers to restriction	Transfers to restriction	Balance 30 June 2006
	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Developer Contributions N17	30,612	4,086	10,518	24,180
RTA Contributions	323		-	323
Unexpended Grants	939	1,696	521	2,114
Sportsfield Levy	3,724	1,031	184	4,571
Environmental Stormwater Management	2,312	3,628	3,106	2,834
Domestic Waste Management	2,902	372	907	2,367
Subdivision & Duffy's Forest Concur	125		71	51
Total External Restrictions	40,937	10,813	15,307	36,440

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 6

Note 6 (b) Cash Assets and Investment Securities

	Movements			Closing Balance 30 June 2006 \$'000
	Opening Balance 30 June 2005 \$'000	Transfers to Restrictions \$'000	Transfers from Restrictions \$'000	
INTERNAL RESTRICTIONS				
Glen Street Theatre	622	263	-	885
S355 Community Centres	799	43	-	842
Narrabeen Lagoon Entrance	673	250	-	923
Integration & Resource Redundancy	63	-	63	-
Integration & Resource General	30	-	30	-
Freshwater Surf Life Saving Club	10	-	-	10
Pollution Events & Spill Clean up	16	-	16	-
St David's Avenue Park Reserve	120	-	-	120
Community Survey	60	35	-	95
Kimbriki Property Acq' Reserve	211	86	-	297
Revenue Producing Asset reserve	919	733	-	1,652
Developer Contributions Other 94	1	-	1	-
Coastal Open Space Improvements	26	28	-	54
Affordable Housing Reserve	105	-	-	105
Harbord Literary Institute	42	22	-	64
Tramshed Arts & Community Centre	11	42	-	53
Beacon Hill War Memorial	55	32	-	87
Terrey Hills Community Centre	20	15	2	33
North Balgowlah Community Centre	34	26	5	55
Elections Reserve	100	100	-	200
Child Care Parent Fundraising	24	14	1	37
Bus Shelter Reserve	269	-	247	22
Community Advisory Committee (CAC)	100	-	-	100
Community Development	575	913	339	1,149
Light Vehicle Fleet Reserve	849	222	-	1,071
Unexpended Loans	666	-	47	619
Insurance Reserve	1,743	-	-	1,743
Carry Forward Reserve	1,081	1,059	889	1,251
Curl Curl Youth & Community Centre	37	30	9	58
Heavy Plant Replacement	858	472	350	980
Employee Leave Entitlements	2,376	396	34	2,738
Brookvale Oval Redevelopment	5	-	5	-
Computer Reserve	1,748	904	521	2,131
Kimbriki Unrestricted Cash (WCP)	4,663	5,553	3,700	6,516
Kimbriki Waste & Recycling (KIM)	8,192	1,370	8,721	841
Property Development	2,300	100	163	2,237
Harbord Village Underground Power	137	-	71	66
Tennis Courts	130	34	63	101
Beach Parking	549	154	115	588
Glen Street Theatre Maintenance	151	75	10	216
Loan Repayment (Sinking Fund)	1,671	500	-	2,171
Sports Union Reserve	253	39	120	172
Allambie Heights Comm Tennis Club	32	-	-	32
Deposits & Bonds	1,096	382	-	1,478
LEMC Local emergency Mngmt Cttee	61	9	7	63
Shoroc Surplus Reserve	61	19	6	74
Community Centre Reserve	44	-	7	37
RFS Land Remediation Reserve	252	60	7	305
Compulsory Open Space Acq Reserve	1,300	500	182	1,618
S355 Harbord Library	-	6	1	5
Berry Market Reserve	-	5	-	5
Forestville Youth Centre Reserve	-	16	-	16
Netball Courts Reserve	-	985	-	985
Kimbriki Landbank Properties Res	-	109	-	109
Stormwater Asset Replacement Res	-	300	-	300
Manly Dam Reserve	-	436	-	436
Performance Management System Reserve	-	101	-	101
Alternative Water Supply Reserve	-	27	-	27
Total Internal Restrictions	35,140	16,465	15,732	35,873

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 7 & 8

NOTE 7 - RECEIVABLES	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
Rates & Annual Charges	2,012	253	1,794	303
Interest & Extra Charges	172	161	154	195
User Charges & Fees	1,565	-	1,467	6
Sale of Motor Vehicle	-	-	158	-
Cash Due on Finance Lease	-	-	71	-
Interest on Investment	148	-	173	-
Sale of Property	-	-	511	-
GST Receivable	665	-	605	-
Other levels of Government	69	-	183	-
Other	67	-	156	-
Total	4,698	414	5,272	504
Less: Allowance for Doubtful Debts				
Rates & Annual Charges	4	-	3	-
User Charges & Fees	299	-	222	1
Total Receivables	4,395	414	5,047	503

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2005: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Other levels of Government

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

RESTRICTED RECEIVABLES	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
Environmental Stormwater Levy	148	-	137	-
Sportsfield Rectification Levy	43	-	40	-
Sale of Property net of GST	-	-	469	-
Domestic Waste Management	392	61	389	72
Sale of Motor Vehicles Net of GST	-	-	90	-
Total Restrictions	583	61	1,125	72
Unrestricted Receivables	3,812	353	3,922	431
Total Receivables	4,395	414	5,047	50

NOTE 8 INVENTORIES & OTHER ASSETS

NOTE 8 INVENTORIES & OTHER ASSETS	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
Stores & Materials	111	-	106	-
Trading Stock	44	-	21	-
Total Inventories	155	-	127	-

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

OTHER ASSETS

Prepayments	529	-	813	-
Total Other Assets	529	-	813	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 9

NOTE 9 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2005 \$'000				Carrying Amount Movements During Year \$'000							2006 \$'000			
	At Cost	At Fair Value	Accum Depn.	Carrying Amount	Asset Purchase	Council Restructure	Asset Disposals	Depreciation	Impairment	Transfers	Net Reval'n	At Cost	At Fair Value	Accum Depn	Carrying Amount
Plant & Equipment	11,500	-	(5,990)	5,510	3,152	-	(1,381)	(1,586)	-	-	-	12,036	-	(6,341)	5,695
Office Equipment	7,952	-	(6,811)	1,141	681	-	-	(379)	-	-	-	8,631	-	(7,188)	1,443
Furniture & Fittings	3,502	-	(1,568)	1,934	30	-	-	(308)	-	-	-	3,533	-	(1,877)	1,656
Leased Plant & Equipment	2,809	-	(1,559)	1,250	512	-	-	(777)	-	-	-	1,995	-	(1,010)	985
Land															
- Council owned (freehold)	938,310	-	-	938,310	8,363	-	(2,416)	-	-	-	-	944,257	-	-	944,257
- Council controlled	1,798,494	-	-	1,798,494	-	-	-	-	-	-	-	1,798,494	-	-	1,798,494
Land Improvements															
- depreciable	386	-	(20)	366	-	-	-	(4)	-	-	-	386	-	(24)	362
Buildings	120,581	-	(55,047)	65,534	192	-	-	(1,240)	-	(7)	-	120,765	-	(56,286)	64,479
Other Structures	18,973	-	(1,472)	17,501	2,930	-	-	(266)	-	7	-	21,910	-	(1,738)	20,172
Infrastructure															
- Roads, bridges, footpaths	321,529	-	(92,214)	229,315	2,412	-	(100)	(3,317)	-	-	-	323,840	-	(95,530)	228,310
- Stormwater drainage	327,649	-	(156,980)	170,669	680	-	-	(3,277)	-	-	-	328,328	-	(160,256)	168,072
Other Assets															
- Library books	8,285	-	(6,998)	1,287	466	-	-	(463)	-	-	-	8,752	-	(7,462)	1,290
- Other	975	-	(970)	5	-	-	-	(5)	-	-	-	975	-	(975)	-
Future Reinstatement Costs															
- Tips	4,730	-	(158)	4,572	-	-	-	(163)	-	-	-	4,730	-	(321)	4,409
TOTALS	3,565,675	-	(329,787)	3,235,888	19,418	-	(3,897)	(11,785)	-	-	-	3,578,632	-	(339,008)	3,239,624

RESTRICTED PROPERTY, PLANT AND EQUIPMENT

	2006 \$'000				2005 \$'000			
	At Cost	At Valuation	Accum Depn	Carrying Amount	At Cost	At Valuation	Accum Depn	Carrying Amount
Domestic Waste Management								
Land								
- Council controlled	2,868	-	-	2,868	2,136	-	-	2,136
Non Cash S94 Contribution								
- Other *	419	-	-	419	419	-	-	419
Total Domestic Waste	3,287	-	-	3,287	2,555	-	-	2,555
TOTAL RESTRICTIONS	3,287	-	-	3,287	2,555	-	-	2,555

*Land has been revalued as at 1/07/04 to comply with all assets revalued in this class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 9

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Valuation of Assets

At 1 July 2000 upon the commencement of Australian Accounting Standard AAS 38 (AASB 1041) "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the cost basis for all classes of assets previously carried at revalued amounts.

Plant & Equipment, Office Equipment, Furniture & Fittings, Leased Plant & Equipment

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles & Road-making Equipment	5 to 8 years
Other Plant & Equipment	5 to 15 years

Asset capitalisation thresholds include:

Office Furniture & Equipment	\$2,000
Other Plant & Equipment	\$2,000

Land - Council owned and Council controlled

Current valuation

Council Officers have valued land at a municipal site value of \$175.70 per square metre and \$1,300.95 per square metre for commercial sites. These figures are an average of the Valuer Generals rates as at 1 July 2004. Totals land value is \$2.742 million and includes adjustments for acquisitions and sales during the last two years. These new valuations have been brought to account as Council has taken the opportunity to revalue on IFRS changes over and then adopt the "cost" basis for recording this class of assets.

Buildings

Buildings were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Buildings - masonry	50 to 100 years
Buildings - other construction	20 to 40 years
Asset capitalisation thresholds include:	
New construction/extensions	\$10,000

Current valuation

An independent valuation of major buildings (being individual buildings the loss of which would have a material effect on the operations of Council), as at 30 June 2005 was undertaken by Scott Fullarton Valuations Pty Limited and totalled \$164,968,000. The valuation has been made in accordance with recognised valuation procedures as to fair and reasonable value, useful life and remaining life.

These new valuations have not been brought to account as Council will continue to adopt the "cost" basis for recording this class of assets.

Land Improvements, Other Structures and Infrastructure

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Park Structures - masonry	50 to 100 years
Park Structures - other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years

Asset capitalisation thresholds include:

Park Furniture & Equipment	\$25,000
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Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Sealed Roads - Structure	100 years
Bridges - Concrete	100 years
Bulk Earthworks	indefinite

Asset capitalisation thresholds include:

Road construction & reconstruction	\$25,000
------------------------------------	----------

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Drains	100 years
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Asset capitalisation thresholds include:

Drains & Culverts	\$5,000
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All other assets

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Library books	5 to 15 years
Artworks	indefinite

Restricted Assets

Restrictions exist in relation to the following assets, which must be applied for the purposes for which special rates and other charges enabling their purchase were raised.

	\$'000 2006	\$'000 2005
Land held for Kimbriki	8,078	6,017
Land held for childcare services	419	419
Total	\$8,497	\$6,436

Note 9A - Of the property assets held, Nos 7, 8, 8A and 10 Kimbriki Road, Ingleside have been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of purchase price. These assets were acquired during previous reporting periods. As at June 2006, Council holds equity in four (4) properties at Kimbriki Road, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater Councils.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 10

NOTE 10 LIABILITIES

PAYABLES	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
Goods & Services	6,305	-	7,361	-
Payments received in advance	1,275	-	888	-
Kimbriki Accrued Expenses	356	-	542	-
FBT Accrual	65	-	40	-
Interest on Bonds	24	-	17	-
Interest on Loans	93	-	122	-
Due to Other Councils - Kimbriki Dist.	440	-	1,151	-
Glen Street Theatre Accrual	63	-	81	-
Deposits, Retentions & Bonds*	5,098	-	5,570	-
Other	175	-	80	-
Total Payables	13,894	-	15,852	-

Deposits, Retentions & Bonds*

Under IFRS all funds must be shown as current. Using historical data our records indicate the following amounts are unlikely to be paid out within the next 12 months and in previous years have been shown as Non Current.

3,620	3,955
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BORROWINGS

Loans	2,181	7,153	793	9,335
Finance Lease Liability	633	490	679	596
Total Borrowings	2,814	7,643	1,472	9,931

All interest bearing liabilities are secured over the future revenues of the Council.

PROVISIONS

Annual Leave	2,591	-	2,496	-
Sick Leave	712	-	976	-
Long Service Leave	5,853	420	4,807	449
Gratuities	92	-	91	-
Insurance Losses (see also Note 18)	327	1,330	445	2,195
Reinstatement, Remediation, etc.	-	5,245	-	4,981
Total Provisions	9,575	6,995	8,815	7,625

Provisions for Eligible Leave Entitlements - E.L.E.

Under IFRS all vested Long Service Leave is shown as Current. Using historical data our records indicate following amounts are unlikely to be paid out within the next 12 months and in previous years have been shown as Non Current.

-	5,470	-	5,484
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MOVEMENTS IN PROVISIONS

	Insurance Losses		Reinstatement etc		ELE.
	2006		2006		
	\$'000		\$'000	\$'000	
Opening Balance	2,640		4,981		8,819
Add Additional amounts recognised	-		-		5,347
Unwinding of present value discounts	-		264		-
(Less) Payments					(4,498)
Add (Less) Remeasurement Adjustments	(983)	-	-		
Add (Less) Transfer on Council restructure					
Closing Balance	1,657		5,245		9,668

Provision for Insurance Losses

At any time Council may be involved in defending a number of separate actions arising from various causes, further details of which are given in Note 18. Council makes provision for the best estimate of the probable costs it will incur in defending such actions, and records a contingent liability for the balance of potential losses.

Provision for Reinstatement, rehabilitation & restoration liabilities

Council is required by law to reinstate/ rehabilitate the areas of Kimbriki Tip when it ceases to use this facility. Engineering estimates have been made based on current reinstatement standards and discounted to its present value over the estimated remaining life of each facility at the rates applicable to government securities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 10

NOTE 10 LIABILITIES

LIABILITIES RELATING TO RESTRICTED ASSETS

	2006 \$'000		2005 \$'000	
	Current	Non-current	Current	Non-current
<u>Domestic Waste Management</u>				
Payables	221	-	151	-
Subtotal	221	-	151	-
<u>Environmental Stormwater Levy</u>				
Payables	-	-	9	-
Subtotal	-	-	9	-
Subtotal	221	-	160	-
<u>Internal Restrictions</u>				
Deposits, Retentions & Bonds	1,478	-	1,096	-
Employee Leave Entitlements	2,738	-	2,376	-
Self Insurance Claims-Reserve	327	1,416	445	1,298
Subtotal	4,543	1,416	3,917	1,298
TOTAL	4,764	1,416	4,077	1,298

NOTE 11 RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total Cash Assets (Note 6)	79,704	80,492
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	79,704	80,492

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Operating Result from Income Statement	6,829	9,050
Minority Interests in Operating Result	1,105	1,356
Add: Depreciation and Amortisation	11,785	11,803
Unwinding of present value discounts & premiums	7	-
Increase in provision for doubtful debts	77	22
Increase in employee benefits provisions	849	415
Increase in other provisions	-	168
Decrease in other assets	284	-
Loss on Sale of Assets	2,347	-
Equity share of loss in Associates	320	384
Decrements from Revaluations	-	20
	23,603	23,218
Less: Decrease in provision for doubtful debts	-	-
Decrease in other provisions	719	-
Increase in receivables	76	53
Increase in inventories	-	4
Increase in other assets	-	456
Decrease in trade creditors	1,248	882
Gain on Sale of Assets	-	306
Fair value adjustments as revenue items	40	-
Net Cash provided by (or used in) operations	21,492	21,517

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 11

RECONCILIATION TO CASH FLOW STATEMENT

(c) Non-Cash Financing and Investing Activities	2006 \$'000	2005 \$'000
Acquisition of assets by means of:		
- PWD Construction	-	
- Bushfire Grants	-	
- Developer Contributions received in kind	-	
- Non-cash issues of Shares in Other Companies	-	
- Estimated future reinstatement, etc costs	-	
- Other	-	
	-	-
- Finance Leases	513	
- Land taken over for non-payment of Rates	-	-
	513	-

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	500	500
Corporate Credit Cards	85	85
Bank Guarantee for possible Workers Compensation Claims	2,000	2,000
Bank Guarantee for possible Public Liability Claims		-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

NOTE 12 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

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

	2006 \$'000	2005 \$'000
Land & Buildings	2,227	10
Infrastructure	1,770	-
	3,997	10
These expenditures are payable:		
Not later than one year	3,963	10
Later than one year and not later than 5 years	34	-
	3,997	10

Commitments for Capital Expenditures relating to joint ventures are set out in note 19.

(b) Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	89	140
Waste Management Services	32,580	40,280
Other	5,071	2,266
	37,740	42,686
These expenditures are payable:		
Not later than one year	11,452	8,812
Later than one year and not later than 5 years	26,288	33,874
	37,740	42,686

Commitments for other Expenditures relating to joint ventures and Partnerships are set out in note 19.

(c) Finance Lease Commitments

Commitments under finance leases at the reporting date are as follows:

Not later than one year	685	734
Later than one year and not later than 5 years	511	620
Minimum lease payments	1,196	1,354
Less: future finance charges	(73)	(79)
Net Lease Liability	1,123	1,275
Representing lease liabilities:		
Current	633	679
Non-Current	490	596
	1,123	1,275

No joint ventures or partnerships have finance lease arrangements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 12

(d) Operating Lease Commitments (Non-Cancellable)

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

	2006	2005
	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
Total Future Minimum Lease Payments		
Not later than one year	153	171
Later than one year and not later than 5 years	265	464
	418	635

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment. Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing. Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased. No lease contains any escalation clause. Commitments for Operating Lease Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(e) Remuneration Commitments

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

Not later than one year	3,448	4,042
Later than one year and not later than 5 years	4,324	7,709
	7,772	11,751

NOTE 13 STATEMENT OF PERFORMANCE MEASUREMENT

	Amounts	2006 Indicators	2005 Indicators	2004 Indicators	2003 Indicators
Current Ratio					
Current Assets	\$84,783	3.23:1	3.31:1	3.17:1	0.00
Current Liabilities	\$26,283				
Unrestricted Current Ratio *					
Unrestricted Current Assets	\$59,693	3.52:1	3.4:1	2.75:1	3.09:1
Current Liabilities not relating to Restricted Assets	\$16,972				
* less ELE shown in current but not expected to be paid in next 12 months.					
Debt Service Ratio					
Net Debt Service Cost	\$2,137	2.22%	2.48%	2.60%	2.56%
Operating Revenue	\$96,129				
Rate & Annual Charges Coverage Ratio					
Rates & Annual Charges Revenues	\$60,962	57.81%	58.75%	57.72%	56.58%
Total Revenues	\$105,461				
Rates & Annual Charges Outstanding Percentage					
Rates & Annual Charges Outstanding	\$2,594	4.08%	3.93%	4.01%	3.97%
Rates & Annual Charges Collectible	\$63,584				
Rates & Annual Charges Outstanding Percentage*					
Rates & Annual Charges Outstanding	\$1,910	3.00%	2.76%	2.92%	2.90%
Rates & Annual Charges Collectible	\$63,658				

* It is Council's policy not to pursue pensioners. This calculation is used to demonstrate to users the effect of actively pursuing outstanding amounts from pensioners. Detailed methods of calculation of these indicators is defined in the Code.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 14 & 15

NOTE 14

INVESTMENT PROPERTY

	2006	2005
	\$'000	\$'000
At fair value		
Opening balance at 1 July	1,870	1,890
Acquisitions	0	0
Capitalised subsequent expenditure	0	0
Classified as held for sale	0	0
Net gain (loss) from fair value adjustment	40	(20)
Closing balance at 30 June	1,910	1,870
Amounts recognised in profit and loss		
Rental income	95	157
Outgoings recouped	0	0
Net gain (loss) from fair value adjustment	40	(20)
	135	137
Repairs, maintenance & other operating expenses - property generating rental income	(32)	(27)
	103	110

Valuation basis

"Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date. The 2005 and 2006 valuations were made by Shore Industrial Pty Ltd." Contractual arrangements - see Note 12.

NOTE 15

FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

	Floating interest Rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
		≤1 year \$'000	<1 year ≥5 year \$'000	>5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	79,704					79,704
Investment Securities	12,154					12,154
Loans & Receivables		2,184	414		2,211	4,809
Total	91,858	2,184	414	-	2,211	96,667
Weighted Average Interest Rate	6.03%	9.00%	9.00%			
Financial Liabilities						
Loans & Receivables						
Payables	-	-			13,473	13,473
Borrowings	-	2,814	7,643			10,457
Total	-	2,814	7,643	-	13,473	23,930
Weighted Average Interest Rate	6.63%					
NET FINANCIAL ASSETS (LIABILITIES)	91,858	(630)	(7,229)	-	(11,262)	72,737

2005 Comparatives In accordance with AASB 1.36A, comparative figures are not presented for the first year of adoption of Australian equivalents to International Financial Reporting Standards.

Credit Risk Exposures Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

Reconciliation of Financial Assets and Liabilities

	2006	\$'000	
Net financial assets from previous page			
Financial Assets	96,667		Not required for 2005
Financial Liabilities	23,930		
	72,737		

Non-financial assets and liabilities (1)

Accrued Revenues	-
Inventories	155
Property, Plant & Equipment	3,239,624
Investment Property	1,910
Interest in Associated Bodies	774
Other Assets	529
Accrued Expenses	(421)
Provisions	(16,570)
Other liabilities	3,226,001
Net Assets per Statement of Financial Position	3,298,738

Net Fair Value All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 16

NOTE 16 SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 28 June 2005. The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

This note sets out the principal variations between the original budget and actual results for the income Statement

Further information of the nature and amount of all variations is available from the Council office upon request.

I INCOME STATEMENT

I.1 Employee Costs (F 1,627 K)

During the year Council employees are engaged in both maintenance and capital works, the proportions of which vary from year to year. Costs in relation to the capital works are excluded from the Operating Statement, and it is not Council's practice to make detailed calculations for this as part of its budgeting procedures. Accordingly, significant variations will often arise in this area.

- › Salaries & Wages (F 812 K)
- › Leave Entitlements (U 120 K)
- › Training Cost (F 373 K)
- › Capitalisation of Employee Cost (F 530 K)

I.2 Materials & Contracts (U 5,967 K)

Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year can result in substantial changes in this mix, resulting in significant budget variations in this item.

- › Material Cost (U 1,609 K)
- › Equipment (F 400 K)
- › IT Cost (U 647 K)*
- › Maintenance Cost (U 463 K)
- › Capitalisation of Capex work (F 5,732 K)
- › External Service Providers (U 9,775 K)*

*The original budget for Computer Software Purchases & Licence and some of the External services Providers is under other expenses amounting to \$ 8,647K

I.3 Borrowing Cost (U 309 K)

- › Overdraft Interest (F 3 K)
- › Deposit Interest (F 6 K)
- › Amortisation of discounts and Premiums – Remediation (Tip) – (U 263 K)

- › And Finance Lease Interest (U 55 K)

I.4 Depreciation & Amortisation (U 192 K)

I.5 Other Expenses (F 12,006 K)

- › Professional Services (F 2,045 K)
- › Bad & Doubtful Debt Expenses (U 89 K)
- › Lease Rental Expenses (F 977 K)
- › Insurance Costs (F 1,121 K)
- › Utility Cost (F 476 K)
- › Other Expenses (F 7,499 K)*

* The actual charges for many of the other expenses are shown under Material and Contracts- Some \$7,670 K of original budget is shown here the favourable variance

I.6 Loss on Disposal of Asset (U 2,347 K)

- › Loss due to compulsory acquisition by RTA (U 2,416 K)

I.7 Rates & Annual Charges (F 872 K)

- › Rates Income (F 459 K)
- › Annual Charge (F 413 K)

I.8 User Charges & Fees (U 811 K)

- › Parking Charges (F 45 K)
- › Development Fees & Other Regulatory Charges (U 383 K)
- › Property Charge (F 1,445 k)*
- › Hire Fees (F 208 K)
- › Library Fees (U 26 K)
- › Waste Fees (U 459 K)
- › Other Fees (U 1,716 K)

*The original budget for Property charge is under other revenues amounting to 1,253 K

I.9 Investment Revenues (F 1,773 K)

Interest receipts have been affected by the level of developer contribution held, collection of rates debtors, and favourable changes in interest rates and available on the short-term money market.

Investment Interest (F 1,735 K)
Interest on Charge Outstanding (F 38 K)

I.10 Other Revenues (U 1,690 K)

- › Fines (F 90 K)
- › Legal Fees recovered (F 246 K)
- › Property Charges (U 1,253 K)
- › Other Income (U 415 K)

I.11 Grants & Contributions Received

– Operating & Capital (F 1780 K)

- › In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the

original Budget was adopted. In particular, major variations occurred in grants received for the following purposes: Roads & Bridges, Employment & Training Programs, Community Care Services, Bushfire and Emergency Services

- › Operational Contribution (U 467 K)
- › Capital Contribution (U 572 K)
- › Operational Grants (F 2,395 K)
- › Capital Grants (F 424K)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 17

NOTE 17 STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS	Opening Balance	Contributions Received During Year cash	Interest Earned During Year	Expended During Year	Internal Transfers (to)/from	Held as Restricted Asset	Works Provided To Date
PURPOSE	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage							321
Roads							251
Traffic Facilities	1,757	227	102	(826)	1	1,261	1,546
Parking	4,347	617	233	(136)	54	5,115	520
Open Space	15,484	1,178	613	(8,253)	(3,433)	5,589	23,380
Community facilities	4,829	319	267	(151)	38	5,302	3,141
Other	3,806	115	395	(908)	3,340	6,748	1,633
Subtotal S94 under plans	30,223	2,456	1,610	(10,274)		24,015	30,792
Sec 94 not under plans	808		20	(244)		584	1,088
Total Contributions	31,031	2,456	1,630	(10,518)		24,599	31,880
Less land forfeited *	419					419	
Cash balance of plan	30,612					24,180	

CONTRIBUTION PLAN - NOT UNDERPLAN

Drainage	174			10	(134)	50	442
Traffic Facilities	0					0	251
Parking	167			10	(110)	67	322
Child Care Reserve-Austlink	48					48	73
Total	389			20	(244)	165	1,088

STATEMENT OF CONTRIBUTION PLANS

CONTRIBUTION PLAN NO 1- Road & Traffic , Frenchs Forest Traffic Facilities E8-		9	(105)	0	68	118	
CONTRIBUTION PLAN NO 2- Car parking, Dee Why	164						
Transfer to Car Parking Dee Why E10							
CONTRIBUTION PLAN NO 3- Car parking, Collaroy	381	-	23	(120)		284	164
Parking							
CONTRIBUTION PLAN PART A- Embellishment of open space	90	-	6			96	126
Open Space E4							
CONTRIBUTION PLAN PART B- Acquisition of open space - Brookvale, Collaroy/Narrabeen, Other							
Open Space E6	3,095	-	81	(1,774)	(1,229)	173	8,994
CONTRIBUTION PLAN PART C- Embellishment of open space - Brookvale, Collaroy/Narrabeen, Other							
Open Space E6	343		15	(56)	(203)	99	143
CONTRIBUTION PLAN PART D- Open space Specific Facilities - Frenchs Forest Large Parks, Red Hill Large Parks							
CONTRIBUTION PLAN PART E- Warringah Mall Library							
Community Facilities E3	0		-				
CONTRIBUTION PLAN PART F- Child Care Centres	752	-	47	-	-	799	328
Community Facilities E2							
CONTRIBUTION PLAN PART G Community Centres							
Community Facilities E5	1,129	-	48	-	(1,136)	41	104
CONTRIBUTION PLAN PART H- Roads & Traffic Management in Frenchs Forest							
Traffic Facilities E8	45	-	3	(17)		31	40
CONTRIBUTION PLAN PART I- Roads & Traffic Management in Warringah							
Traffic Facilities E8	307	-	13	(235)		85	672
CONTRIBUTION PLAN PART J - Car Parking Dee Why Parking E10	893	-	38	-	(921)	10	16

* Land has been revalued as at 1/07/04 to comply with all assets revalued in this class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 17

PURPOSE	Opening Balance \$'000	Contributions Received During Year non cash cash \$'000	Interest Earned During Year \$'000	Expended During Year (To)/from \$'000	Internal Transfers \$'000	Held as Restricted Asset \$'000	Works Provided To Date \$'000
STATEMENT OF CONTRIBUTION PLANS							
CONTRIBUTION PLAN PART K							
- Car Parking Brook Vale							
Parking E11	234	-	15	-	-	249	7
Administration and Planning studies							
Old Plan E12	24	-	2	(4)	-	22	(16)
CONTRIBUTION PLAN E1 -							
Open Space Linkages & Cycleway	53	6	3	62	-	-	0
CONTRIBUTION PLAN E2							
Children's Services	632	2	39	-	-	673	1,496
CONTRIBUTION PLAN E3							
Library Services	495	101	24	(93)	(300)	227	501
CONTRIBUTION PLAN E41							
Sports Field Embellishment	769	98	50	(58)	-	859	712
CONTRIBUTION PLAN E42							
Open Space Field Embellishment	107	46	5	(39)	-	119	166
CONTRIBUTION PLAN E5							
Community Centres	1,052	118	47	-	(1,150)	67	0
CONTRIBUTION PLAN E6							
Open Space Medium Density Areas	6,605	636	224	(5,369)	-	2,096	12,186
CONTRIBUTION PLAN E7							
Open Space Dee Why	5,191	490	279	(1,015)	(2,001)	2,944	1,765
CONTRIBUTION PLAN E8							
Roads and Traffic Management	1,241	227	77	(469)	(77)	999	716
CONTRIBUTION PLAN E9							
Perentie and Dawes Rd Release area	2,963	-	181	(640)	-	2,504	920
CONTRIBUTION PLAN E10							
Car Parking Dee Why	2,598	617	126	-	(2,678)	663	317
CONTRIBUTION PLAN E11							
Car Parking Brookvale	241	-	15	(16)	-	240	16
CONTRIBUTION PLAN E12							
Administration and Planning studies	819	115	52	(264)	-	722	729
Dee why Town Centre							
- Redevelopment Reserve	-	-	160	-	3,340	3,500	0
Dee Why Town Centre							
- Car Parking	-	-	16	-	3,653	3,669	0
Dee why Town Centre							
- Library Services	-	-	1	-	304	305	0
Dee Why Town Centre							
- Roads & Traffic Management	-	-	-	-	78	78	0
Dee Why Town Centre							
- Community Centre	-	-	11	-	2,320	2,331	0
	30,223	2,456	1,610	(10,274)	-	24,015	30,220

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 18

Note 18

CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

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

POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

STATEWIDE MUTUAL

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that the scheme has achieved a trading result across the three schemes where Total Assets exceed Liabilities by \$3,038,245. There is therefore no necessity for Council to carry provisions in its Annual Financial Statements.

LEGAL EXPENSES

Council is involved in a broad spectrum of litigation arising from its statutory responsibility ranging from Local Court prosecutions, defending appeals against planning decisions in the Land & Environment Court to defending Class 4 proceedings taken against it. In all litigation the outcome is uncertain and the expenditure on legal costs unpredictable until matters have been completed.

RURAL FIRE FIGHTING ASSETS

Council has title to, and is the registered owner of 76 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that

Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

SUPERANNUATION – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee.

The Fund Secretary recommended the following statement:-

"The Local Government Superannuation Scheme – Pool B (the Schedule is a defined benefits plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119. Sufficient information is not available to account for the Scheme as a defined benefit plan because the assets to the Scheme are pooled together for all Councils. The amount of the employer contributions recognised as an expense for the year ending 30 June 2006 was \$2.767million. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 18th March 2004 and covers the period ended 30 June 2003. This valuation found that the Scheme's assets were \$389,883.38 and its past service liabilities \$2,251.7million, giving it a surplus of \$202.0million. The existence of this surplus has resulted in Councils contributing in 2005/2006 at half the normal level of contributions. The financial position is monitored annually."

RELOCATION OF NETBALL COURTS

Council has resolved to relocate the Netball Courts from John Fisher Park. The site at the end of Ralston Avenue at Belrose is now the preferred option. As this is a regional issue, Warringah Council is still seeking support from other neighbouring Councils and State Govt. to seek financial assistance.

CAPITAL EXPENDITURE

In addition to those capital commitments disclosed on Note 12 to these statements the Warringah Plan 2006-2009 adopted by Council on 13 June 2006 provides for additional capital expenditure. The significant items, but at reporting date were not committed are:

Frank Grey Reserve, Curl Curl budgeted at \$1,490,000.

(Source of funding is from Sportsfield Rectification Levy and contributions)

Reconstruction of failed retaining wall at Ocean

Street Narrabeen budgeted at \$470,000

(Source of funding is from Infrastructure Levy).

Road Resheeting program budgeted at \$2,100,000

(Source of funding is from Infrastructure Levy, Grants & General Revenue).

Coastal Walkway budgeted at \$550,000

(Source of funding is from Section 94A Contributions).

Replace Airconditioning, Civic Centre budgeted at \$1,000,000

(Source of funding is from Infrastructure Levy).

NEW COMPUTER SYSTEM

Council is negotiating contracts for a new computer system which should be finalised in 2006/07. An internal restriction of cash exists, as reported in Note 6, and an allocation of \$800,000 is budgeted for 06/07 however there may be unplanned expenses

BUILDING COMMENCEMENTS

Today, there are 242 construction certificates on hand awaiting collection. There is still building activity that may have commenced without proper approval and payment of appropriate fees however, the number has dropped significantly due to ongoing investigations and monthly audits that were implemented to monitor the possibility of further unlawful works.

UNPAID INFRINGEMENT NOTICES

Infringement income is collected by the Infringement Processing Bureau and is accounted for on a cash basis. Therefore there is no reliable basis for ascertaining collection ability of outstanding fines.

DEVELOPER CONTRIBUTIONS EXPENDITURE

Council is currently negotiating to acquire properties but had not entered into contracts as at 30 June 2006.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 19

Note 19

JOINT VENTURES & ASSOCIATED ENTITIES

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the extent of Council's interest and "control", these are set out in the following parts to this Note.

Note 19 (a) - Council's interest and "control" exceeds 50% of the cooperative organisation.

Note 19 (d) - Joint venture operations not comprising an entity.

Note 19 (b) - Entities of which no one member has "control".

Note 19 (e) - Joint ventures not recognised.

Note 19 (c) - Entities of which another member has "control".

Kimbriki Recycling & Waste Disposal Centre

Council's respective interests are:

	2006	2005
- interest in outputs of the joint operation	48.53%	49.23%
- ownership interest in the joint operation	49.59%	51.33%
- the proportion of voting power in the joint operation	57.1%	57.1%

Movements in Investment in Joint Operation

	\$'000	\$'000
Opening Balance	5,336	5,130
Amount recognised on adoption of AAS24		
Ownership Increment between 04/05 and 05/06	(51)	116
Share in Operating Result	1,156	1,240
Distributions declared	(3,087)	(1,150)
Adjustment to Equity Share		
Share in Equity of Joint Operation	3,354	5,336

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

(b) - Entities not "Controlled" by any member

WARRINGAH PITTWATER RURAL FIRE SERVICE

Council's respective interests are:

	2006	2005
- interest in outputs of the joint operation	50%	50%
- ownership interest in the joint operation	50%	50%
- the proportion of voting power in the joint operation	50%	50%

Movements in Investment in Joint Operation

	\$'000	\$'000
Opening Balance	685	657
Amount recognised on adoption of AAS19		
New Capital Contributions	409	412
Share in Operating Result	(320)	(384)
Share in Equity of Joint Operation	774	685

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Operating Statement

Share of joint venture revenues in operating revenues	611	593
Share of joint venture costs in operating expenses	522	537
Net Contribution	89	56

Statement of Financial Position

Current Assets	543	568
Non-Current Assets	231	117

Share of Assets employed in Joint Ventures

Current Liabilities	0	0
Non-Current Liabilities	0	0
Share of Liabilities incurred in Joint Ventures	0	0

NET INTEREST IN JOINT VENTURES

	774	685
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 21

Note 21

IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005, the amounts shown in the comparative 2005 figures in these financial statements differ from the amounts shown in Council's 2005 Annual Financial Statements prepared under the then generally accepted accounting principles (GAAP). The amounts shown in the 2005 comparatives are reconciled to Council's 2005 GAAP financial statements as follows:

(a) Reconciliation of Equity at 1 July 2004	\$'000
Equity 1 July 2004 in accordance with GAAP	4,103,841
1. Investment Property (AASB 140) Council has identified certain properties as Investment Properties and, pursuant to AASB 140.30 has elected to adopt the fair value model. Under GAAP these assets were recorded at cost.	
Net increase (decrease) in carrying value of Investment Property	1,314
2. Employee Benefits Provisions (AASB 117) Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, were measured under GAAP at nominal values, but are measured under AIFRS as the present value of the future cash outflows.	
Net (increase) decrease in provision for Employee Benefits	62
3. Provision for Future Reinstatement (AASB 137) Council has identified instances, mostly relating to tips, quarries and borrow pits, where it has an obligation to reinstate to a specified condition on cessation of use. These obligations are measured at the present value of estimated future cash outflows. These liabilities have not previously recognised under GAAP. The present value of the estimated future expenditure is capitalised to Infrastructure, property, Plant & Equipment, and depreciated from the commencement date of the operation. The net effect on Equity reflects the depreciation costs not previously recognised.	0
4. One off opportunity provided by IFRS to revalue assets and hold them as deemed costs. Council has taken this opportunity to revalue its land holdings to realign several systems within Council. Commercial land has been revalued at \$1,300.35 per square metre all other land has been valued at \$175.70 per square metre, which is the average of Council land values held by the Valuer General as at 1 July 2004.	(820,743)
Depreciation not previously recognised (expense)	0
Net Change in opening Equity	(819,367)
Equity 1 July 2004 in accordance with AIFRS	3,284,474

(b) Reconciliation of 2005 Statement of Financial Position (GAAP) with 2005 comparative Balance Sheet (AIFRS)

4. Investment Property (AASB 140) Consequent on the decision in 1. above, the identified investment properties have been removed from Infrastructure, Property, Plant & Equipment and separately disclosed in the Balance Sheet. Subsequent movements include recognition at fair value at 1 July 2004, the reversal of depreciation charged in 2005 under GAAP and the change in fair value during the 2005 reporting period.	
Carrying value of Investment Property at 1 July 2004 removed from Infrastructure, Property, Plant & Equipment	(576)
Net fair value of Investment Property at 1 July 2004	1,890
Net increase (decrease) in fair value of Investment Property during year	(20)
Financial Instruments	
Net (increase) decrease in fair value recognised in Income Statement	161
Depreciation charged under GAAP now reversed	(6)
5. Employee Benefits Provisions (AASB 117) Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, were measured under GAAP at nominal values, but are measured under AIFRS as the present value of the future cash outflows.	
Net (increase) decrease in provision at 1 July 2004	62
Net (increase) decrease in 2005 reporting period expense	39
6. Provision for Future Reinstatement (AASB 137) As explained in notes 3. above and 11. below, the following adjustments have been made in relation to this item:	
Provision for Reinstatement	
Recognition of liability, 1 July 2004	(4,730)
Net (increase) decrease in provision during reporting period	-
Infrastructure, Property, Plant & Equipment	
Capitalisation of unexpired future costs 1 July 2004 (net of accumulated depreciation)	4,730
Net additional amounts capitalised during reporting period	-
Net (increase) decrease in accumulated depreciation	(158)
7. Reallocation - Non-current/Current Change in the definition of current assets and current liabilities has resulted in a transfer of amounts of inventories and provisions from non-current to current.	
Transfer from non-current to current asset	-
Transfer from non-current to current liability	5,484

Note 21	GAAP	Adjustments	AIFRS
CURRENT ASSETS	\$'000	\$'000	\$'000
Cash & Cash Equivalents	80,492	-	80,492
Investment Securities	-	-	-
Receivables	5,047	-	5,047
Inventories	127	-	127
Other	813	-	813
Non-current Assets held for sale	-	-	-
Non-current Assets			
Investment Securities	12,000	-	12,000
Receivables	503	-	503
Inventories	-	-	-
Investments accounted for using the equity method	685	-	685
Infrastructure, Property, Plant & Equipment	3,231,886	4,002	3,235,888
Investment Property	-	1,870	1,870
Intangible Assets	-	-	-
Other Non-current Assets	-	-	-
Total Assets	3,331,553	5,872	3,337,425
Current Liabilities			
Payables	15,852	-	15,852
Borrowings	1,472	-	1,472
Provisions	3,741	3,764	7,505
Non-current Liabilities			
Payables	-	-	-
Borrowings	9,931	-	9,931
Provisions	7,741	1,194	8,935
Total Liabilities	38,737	4,958	43,695
NET ASSETS	3,292,816	914	3,293,730
EQUITY			
Accumulated Surplus	3,287,480	914	3,288,394
Asset Revaluation Reserves	-	-	-
Minority Interest	5,336	-	5,336
TOTAL EQUITY	3,292,816	914	3,293,730

Transition to AIFRS

(c) Reconciliation of 2005 Statement of Financial Performance (GAAP) with 2005 comparative Income Statement (AIFRS)

8. Investment Property (AASB 140) Consequent on the decision in 1. above, the AIFRS recognises the net change in fair value of investment properties in the Income Statement (recognised through Asset Revaluation Reserve under GAAP), and does not charge depreciation on Investment Property carried at fair value.

Net increase (decrease) in fair value of Investment Property (20)
Depreciation charged under GAAP now reversed. 6

9. Investment Property sold During the reporting period, certain investment property held at 1 July 2004 was sold. In the 2005 GAAP Statement of Financial performance, the gain/loss on disposal was calculated using the carrying value based on cost, but for AIFRS purposes the carrying value is based on the market value recognised in 1. above.

Net increase (decrease) in gain on disposal of assets

10. Employee Benefits Provisions (AASB 117) Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, were measured under GAAP at nominal values, but are measured under AIFRS as the present value of the future cash outflows. Unwinding of present value discounts are to be separately disclosed where material.

Net increase/decrease in employee benefit expense (39)
Unwinding of present value discount (borrowing expense)

11. Adjustment to Gain on disposal of assets Consequent to land revalue as at 1 July 2004, properties sold in 2005 and shown at pre-revaluation on disposal need to be adjusted to show revaluation adjustment 11. (549)

12. Provision for Future Reinstatement (AASB 137) Consequent of the recognition of these liabilities (see 3. above), AIFRS requires

- * that the capitalised estimate of future expenditure be depreciated and charged as an expense;
- * that the unwinding of the present value discount be recognised as a borrowing expense;
- * that restoration costs incurred be charged against the provision;
- * that the provision be re-measured at reporting date, and the re-measurement adjustment be capitalised.

Unwinding of present value discount (borrowing expense) (251)

Reinstatement expenses discharged against provision
Depreciation of estimated future reinstatement costs (expense) (158)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 21

	GAAP \$'000	Adjustments \$'000	AIFRS \$'000
REVENUES			
Rates & Annual Charges	59,468		59,468
User Charges & Fees	21,195		21,195
Investment Revenues	5,385	-	5,385
Other Revenues	3,170	(20)	3,150
Grants & Contributions - Operating	8,796		8,796
Grants & Contributions - Capital	2,916		2,916
Profit from Disposal of Assets	855	(549)	306
Profit from interests in Joint Ventures & Associates	-		-
Total Revenues	101,785	(569)	101,216
EXPENSES			
Employee Costs	35,052	39	35,091
Materials & Contracts	34,319	-	34,319
Borrowing Costs	762	251	1,013
Depreciation & Amortisation	11,651	152	11,803
Other Expenses	8,200		8,200
Loss from Disposal of Assets	-	-	-
Loss from interests in Joint Ventures & Associates	384		384
Total Expenses	90,368	442	90,810
Operating Result from continuing operations	11,417	(1,011)	10,406
Operating result from discontinued operations			-
Gain (loss) on restructure	-		-
NET OPERATING RESULT FOR YEAR	11,417	(1,011)	10,406
Attributable to:			
Minority Interests	(1,356)	-	(1,356)
Warringah Council	11,417	(1,011)	10,406
	10,061	(1,011)	9,050

(d) Reconciliation of Statement of Cash Flows.

The adoption of AIFRS has not resulted in any material adjustments to the Statement of Cash Flows.

(e) Reconciliation of Equity on adoption of AASB 132 & AASB 139 at 1 July 2005.

In presenting its 2005 comparative figures, Council has elected to use the exemption in relation to financial instruments set out in AASB 1.36A. In giving effect to AASB 132

Financial Instruments: Disclosure and Presentation and AASB 139 (*Financial Instruments: Recognition and Measurement*) at 1 July 2005, the following adjustments have been made.

12. Financial Instruments categorised as (Fair Value through P&L) Previously recognised at cost, these are now recognised at fair value. The net change in carrying value has been carried to Accumulated Surplus.

Net Increment (decrement) to Accumulated Surplus

161

13. Financial Instruments categorised as (Available for Sale). Previously recognised at cost, these are now recognised at fair value where an active market exists. The net change in carrying value has been carried to Asset Revaluation Reserve. Revaluation decrements are recognised direct into P&L.

Previously recognised at cost, these are now recognised at fair value. The net change in carrying value has been carried to Accumulated Surplus.

Net increment to Asset Revaluation Reserve

Net (decrement) to Accumulated Surplus

14. Financial Instruments categorised as (Loans & Receivables). Previously recognised at face value, these are now recognised at amortised cost using the effective interest method. In relation to financial instruments that are interest free or significant less than market rates at the time of the transaction, a premium or discount is recognised which is unwound over the term of the instrument.

Net premiums recognised on receivables

Net discounts recognised on borrowings

These adjustments affect asset & liability balances as follows:

Net increment (decrement) to Cash & Cash Equivalents

161

Net increment (decrement) to Investment Securities

Net increment (decrement) to Receivables

Net (increment) decrement to Borrowings

	AIFRS 30/6/2005 \$'000	Adjustments \$'000	AIFRS 1/7/2005 \$'000
Accumulated Surplus	3,288,394	161	3,288,555
Asset Revaluation Reserves	-		-
Other Reserves			-
Minority Interest	5,336		5,336
TOTAL EQUITY	3,293,730	161	3,293,891