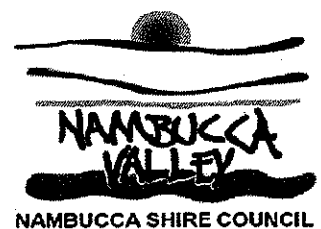


# Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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*"Nambucca Valley ~ Living at its best"*



# Nambucca Shire Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

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- On the Conduct of the Audit (Sect 417 [3])	

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Nambucca Shire Council.

(ii) Nambucca Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 25/10/12.  
Council has the power to amend and reissue the financial statements.

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# Nambucca Shire Council

## General Purpose Financial Statements for the financial year ended 30 June 2012

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

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

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

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

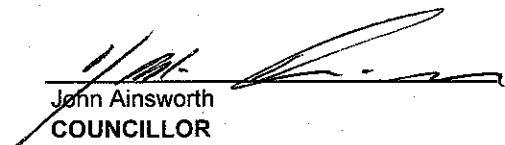
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 October 2012.



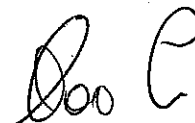
Rhonda Hoban  
MAYOR



John Ainsworth  
COUNCILLOR



Michael Coulter  
GENERAL MANAGER



Craig Doolan  
RESPONSIBLE ACCOUNTING OFFICER

## Nambucca Shire Council

## Income Statement

for the financial year ended 30 June 2012

Budget <sup>(1)</sup>				Actual	Actual
2012	\$ '000		Notes	2012	2011
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
14,687	Rates & Annual Charges		3a	14,500	13,863
4,902	User Charges & Fees		3b	4,497	3,914
1,580	Interest & Investment Revenue		3c	1,895	2,473
398	Other Revenues		3d	490	437
5,047	Grants & Contributions provided for Operating Purposes		3e,f	8,885	7,850
6,567	Grants & Contributions provided for Capital Purposes		3e,f	4,267	6,572
<b>Other Income:</b>					
32	Net gains from the disposal of assets		5	-	-
<b>33,213</b>	<b>Total Income from Continuing Operations</b>			<b>34,534</b>	<b>35,109</b>
<b>Expenses from Continuing Operations</b>					
8,960	Employee Benefits & On-Costs		4a	8,612	9,007
1,835	Borrowing Costs		4b	1,711	1,710
6,972	Materials & Contracts		4c	10,212	8,639
9,484	Depreciation & Amortisation		4d	9,234	9,082
3,666	Other Expenses		4e	3,140	3,178
	Net Losses from the Disposal of Assets		5	28	612
<b>30,917</b>	<b>Total Expenses from Continuing Operations</b>			<b>32,937</b>	<b>32,228</b>
<b>2,296</b>	<b>Operating Result from Continuing Operations</b>			<b>1,597</b>	<b>2,881</b>
<b>2,296</b>	<b>Net Operating Result for the Year</b>			<b>1,597</b>	<b>2,881</b>
2,296	Net Operating Result attributable to Council			1,597	2,881
	Net Operating Result attributable to Minority Interests			-	-
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>					
<b>(4,271)</b>				<b>(2,670)</b>	<b>(3,691)</b>

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

## Nambucca Shire Council

## Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		1,597	2,881
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(12,506)	17,712
Other Movements in Reserves (enter details here)	20b (ii)	(29)	(770)
Adjustment to correct prior period depreciation errors		-	-
<b>Total Other Comprehensive Income for the year</b>		<b>(12,535)</b>	<b>16,942</b>
<b>Total Comprehensive Income for the Year</b>		<b>(10,938)</b>	<b>19,823</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>(10,938)</b>	<b>19,823</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

## Nambucca Shire Council

## Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	374	885
Investments	6b	31,870	32,886
Receivables	7	5,790	3,654
Inventories	8	783	924
Other	8	429	354
<b>Total Current Assets</b>		<b>39,246</b>	<b>38,703</b>
<b>Non-Current Assets</b>			
Inventories	8	21	41
Infrastructure, Property, Plant & Equipment	9	301,980	309,105
<b>Total Non-Current Assets</b>		<b>302,001</b>	<b>309,146</b>
<b>TOTAL ASSETS</b>		<b>341,247</b>	<b>347,849</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	3,090	2,071
Borrowings	10	2,061	1,984
Provisions	10	3,699	3,323
<b>Total Current Liabilities</b>		<b>8,850</b>	<b>7,378</b>
<b>Non-Current Liabilities</b>			
Payables	10	655	615
Borrowings	10	23,633	24,260
Provisions	10	815	763
<b>Total Non-Current Liabilities</b>		<b>25,103</b>	<b>25,638</b>
<b>TOTAL LIABILITIES</b>		<b>33,953</b>	<b>33,016</b>
<b>Net Assets</b>		<b>307,294</b>	<b>314,833</b>
<b>EQUITY</b>			
Retained Earnings	20	220,897	215,901
Revaluation Reserves	20	86,397	98,932
Council Equity Interest		307,294	314,833
<b>Total Equity</b>		<b>307,294</b>	<b>314,833</b>

## Nambucca Shire Council

Statement of Changes in Equity  
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		215,901	98,932	314,833	-	314,833
a. Correction of Prior Period Errors	20 (c)	3,370	-	3,370	-	3,370
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/11)		<b>219,271</b>	<b>98,932</b>	<b>318,203</b>	-	<b>318,203</b>
<b>c. Net Operating Result for the Year</b>		<b>1,597</b>		<b>1,597</b>	-	<b>1,597</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		(12,506)	(12,506)		(12,506)
<b>Other Comprehensive Income</b>		-	(12,506)	(12,506)	-	(12,506)
<b>Total Comprehensive Income</b> (c&d)		<b>1,597</b>	<b>(12,506)</b>	<b>(10,909)</b>	-	<b>(10,909)</b>
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		29	(29)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>220,897</b>	<b>86,397</b>	<b>307,294</b>	-	<b>307,294</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		213,409	81,990	295,399	-	295,399
a. Correction of Prior Period Errors	20 (c)	(1,159)	-	(1,159)	-	(1,159)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>212,250</b>	<b>81,990</b>	<b>294,240</b>	-	<b>294,240</b>
<b>c. Net Operating Result for the Year</b>		<b>2,881</b>	-	<b>2,881</b>	-	<b>2,881</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	17,712	17,712	-	17,712
<b>Other Comprehensive Income</b>		-	17,712	17,712	-	17,712
<b>Total Comprehensive Income</b> (c&d)		<b>2,881</b>	<b>17,712</b>	<b>20,593</b>	-	<b>20,593</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		770	(770)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>215,901</b>	<b>98,932</b>	<b>314,833</b>	-	<b>314,833</b>

## Nambucca Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
14,687	Rates & Annual Charges		14,482	13,773
4,902	User Charges & Fees		4,338	3,837
1,580	Investment & Interest Revenue Received		1,711	1,871
11,614	Grants & Contributions		11,001	13,013
	Bonds, Deposits & Retention amounts received		52	-
398	Other		1,410	3,043
<b>Payments:</b>				
(8,662)	Employee Benefits & On-Costs		(8,289)	(8,949)
(6,972)	Materials & Contracts		(9,364)	(8,320)
(1,835)	Borrowing Costs		(1,166)	(1,114)
	Bonds, Deposits & Retention amounts refunded		-	(39)
(3,666)	Other		(5,003)	(6,159)
<b>12,046</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>9,172</b>	<b>10,956</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
3,294	Sale of Investment Securities		15,122	28,370
	Sale of Real Estate Assets		55	131
77	Sale of Infrastructure, Property, Plant & Equipment		38	328
	Deferred Debtors Receipts		-	172
<b>Payments:</b>				
	Purchase of Investment Securities		(13,922)	(19,879)
(20,224)	Purchase of Infrastructure, Property, Plant & Equipment		(9,917)	(18,197)
	Purchase of Real Estate Assets		-	(11)
<b>(16,853)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(8,624)</b>	<b>(9,086)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
6,475	Proceeds from Borrowings & Advances		925	975
<b>Payments:</b>				
(2,111)	Repayment of Borrowings & Advances		(1,984)	(1,980)
<b>4,364</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(1,059)</b>	<b>(1,005)</b>
<b>(443)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(511)</b>	<b>865</b>
40,899	plus: Cash & Cash Equivalents - beginning of year	11a	885	20
<b>40,456</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>374</b>	<b>885</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	31,870	32,886
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>32,244</b>	<b>33,771</b>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations



# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

#### (a) Basis of preparation

##### (i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

##### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

##### (iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

##### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

##### (v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

##### (vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated. [refer Note 20(d)].

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### (vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

#### *Critical accounting estimates and assumptions*

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

#### *Critical judgements in applying the entity's accounting policies*

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

#### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

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

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

#### **User Charges, Fees and Other Income**

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### **Sale of Infrastructure, Property, Plant and Equipment**

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

#### **Interest and Rents**

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

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

#### **(c) Principles of Consolidation**

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### **(i) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*

#### **(ii) The Trust Fund**

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

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) Joint Ventures

##### Jointly Controlled Assets & Operations

Council is one of six member Council of the Clarence Regional Library. Council is represented on the Clarence Regional Library Committee which is responsible for the policies and procedures. The day to day management of the Service is the responsibility of the Executive Officer and the financial reporting is included in the consolidated reports of Clarence Valley regional Council. Council makes an annual contribution to the operating expenses of the service for the provision of book stores and information technology services. The co-operative arrangement does not establish the share of assets to which Council would be entitled in the event of the winding up of the arrangement.

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

##### Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

#### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations, but neither controls nor jointly controls the entity, then

Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

#### (v) County Councils

Council is not a member of any County Councils.

#### (vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

#### (d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

##### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

#### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

#### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

#### (iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### (iv) Available-for-sale financial assets

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

#### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent Measurement

**Available-for-sale financial assets and financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

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

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

#### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (e.g. managed funds, CDOs, and equity linked notes), however they have been retained

under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### (g) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.



# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (Internal Valuation)
- **Buildings – Specialised/Non Specialised**  
(Internal Valuation)

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)
- **Other Structures**  
(as approximated by depreciated historical cost)
- **Other Assets**  
(as approximated by depreciated historical cost)

#### Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

#### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- Council land 100% Capitalised
- open space 100% Capitalised
- land under roads (purchases after 30/6/08) 100% Capitalised

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 1. Summary of Significant Accounting Policies (continued)

**Plant & Equipment**

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

**Buildings & Land Improvements**

Park Furniture & Equipment	> \$2,000
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**Building**

- construction/extensions	> \$20,000
- renovations	> \$20,000

Other Structures	> \$20,000
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**Water & Sewer Assets**

Reticulation, Treatment Works	Capitalise
Mains, Reservoirs, Pump Stations	Capitalise

**Stormwater Assets**

Drains & Culverts	> \$5,000
Other	> \$5,000

**Transport Assets**

Road construction & reconstruction	Capitalise
Reseal/Re-sheet & major repairs:	> \$20,000

Bridge construction & reconstruction	> \$20,000
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**Depreciation**

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

**Plant & Equipment**

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	12 years
- Other plant and equipment	12 years

**Other Equipment**

- Bush Fire equipment	5 years
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**Buildings**

- Buildings : Operating	100 years
- Buildings : Community	50 years

**Stormwater Drainage**

- Drains	80 to 100 years
- Culverts	50 to 80 years

**Transportation Assets**

- Sealed Roads	35 years
- Unsealed roads	100 years
- Bridges	42 years

**Water Supply**

- Mains	80 years
- Reservoirs	100 years
- Pump Stations	50 years

**Sewer Supply**

- Reticulation	65 years
- Rising Mains	45 years
- Treatment Works	50 years
- Pump Stations	70 years

**Other Infrastructure Assets**

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

**Disposal and De-recognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

# Nambucca Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### **(k) Land**

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

#### **(l) Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

#### **(m) Intangible Assets**

Council has not classified any assets as Intangible.

#### **(n) Crown Reserves**

Crown Reserves under Council's care and control are recognised as assets of the Council.

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

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

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

#### **(o) Rural Fire Service assets**

Under section 119 of the Rural Fires Act 1997, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements

#### **(p) Investment property**

Council does not have Investment property.

#### **(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries**

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and

estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

#### **(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed.

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

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

# Nambucca Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### **(x) Employee benefits**

##### **(i) Short Term Obligations**

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

##### **(ii) Other Long Term Obligations**

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### **Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$384 million at 30 June 2012.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined Contribution Plans

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

#### (y) Self insurance

Council does not self insure.

#### (z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).



# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### (ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

**Applicable to Local Government with implications:**

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

***AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)***

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not

have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

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

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

#### ***AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)***

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### Applicable to Local Government but no implications for Council;

None

#### Applicable to Local Government but not relevant to Council at this stage;

***Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)***

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

#### Not applicable to Local Government per se;

None

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

#### (ac) Rounding of amounts

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

#### (ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### (ae) Disclaimer

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual 2012	Actual 2011	Original Budget	Actual 2012	Actual 2011	Original Budget	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	508	481	511	(508)	(481)	(511)	-	-	-	(1)
Administration	141	301	485	4,299	340	388	(4,158)	(39)	97	8	8	11,966	12,174
Public Order & Safety	999	424	818	628	1,264	1,069	371	(840)	(251)	335	220	3,527	3,638
Health	126	176	184	125	282	302	1	(106)	(118)	-	-	13	13
Environment	240	4,767	4,442	979	5,142	5,134	(739)	(375)	(692)	426	222	12,025	11,683
Community Services & Education	192	558	341	310	500	560	(118)	58	(219)	41	53	1,287	1,087
Housing & Community Amenities	4,355	228	299	2,244	1,001	1,253	2,111	(773)	(954)	443	341	2,858	2,927
Water Supplies	7,441	3,666	4,387	3,307	2,902	2,863	4,134	764	1,524	86	1,081	56,752	58,240
Sewerage Services	4,542	4,367	7,071	3,385	4,360	3,890	1,157	7	3,181	1,250	2,246	82,314	87,459
Recreation & Culture	232	527	747	2,672	4,779	3,246	(2,440)	(4,252)	(2,499)	238	347	40,516	41,012
Mining, Manufacturing & Construction	52	60	78	485	348	348	(433)	(288)	(270)	-	-	-	-
Transport & Communication	3,170	5,728	4,064	11,732	11,088	12,231	(8,562)	(5,360)	(8,167)	555	619	124,666	124,350
Economic Affairs	105	136	131	243	450	433	(138)	(314)	(302)	20	21	5,323	5,267
<b>Total Functions &amp; Activities</b>	<b>21,595</b>	<b>20,938</b>	<b>23,047</b>	<b>30,917</b>	<b>32,937</b>	<b>32,228</b>	<b>(9,322)</b>	<b>(11,999)</b>	<b>(9,181)</b>	<b>3,402</b>	<b>5,158</b>	<b>341,247</b>	<b>347,849</b>
General Purpose Income <sup>1</sup>	11,618	13,596	12,062	-	-	-	11,618	13,596	12,062	4,941	3,656	-	-
<b>Operating Result from Continuing Operations</b>	<b>33,213</b>	<b>34,534</b>	<b>35,109</b>	<b>30,917</b>	<b>32,937</b>	<b>32,228</b>	<b>2,296</b>	<b>1,597</b>	<b>2,881</b>	<b>8,343</b>	<b>8,814</b>	<b>341,247</b>	<b>347,849</b>

1. Includes: Rates &amp; Annual Charges (incl. Ex-Gratia), United General Purpose Grants &amp; Unrestricted Interest &amp; Investment Income.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 2(b). Council Functions / Activities - Component Descriptions

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES & EDUCATION**

Administration, youth services, other family and children, aged and disabled, Aboriginal services, other community services, education.

##### **HOUSING & COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

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

##### **FUEL & ENERGY - Gas Supplies**

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, other.

##### **TRANSPORT & COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		5,968	5,782
Farmland		758	716
Mining		314	305
Business		916	891
<b>Total Ordinary Rates</b>		<b>7,956</b>	<b>7,694</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		2,922	2,883
Water Supply Services		481	387
Sewerage Services		2,325	2,100
Drainage		137	136
Waste Management Services (non-domestic)		679	663
<b>Total Annual Charges</b>		<b>6,544</b>	<b>6,169</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>14,500</b>	<b>13,863</b>
Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.			
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		2,389	1,941
Saleyards		80	90
Sewerage Services		970	818
Waste Management Services (non-domestic)		479	463
<b>Total User Charges</b>		<b>3,918</b>	<b>3,312</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Building Regulation		59	77
Planning & Building Regulation		211	204
Private Works - Section 67		49	25
Regulatory/ Statutory Fees		135	197
Section 149 Certificates (EPA Act)		41	34
Section 603 Certificates		21	22
Other - Septic Tank Income		14	-
Other		-	8
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>530</b>	<b>567</b>
<b>(ii) Fees &amp; Charges - Other</b> (incl. General User Charges (per s.608)			
Cemeteries		49	35
<b>Total Fees &amp; Charges - Other</b>		<b>49</b>	<b>35</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>4,497</b>	<b>3,914</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		128	147
- Interest earned on Investments (interest & coupon payment income)		1,583	1,828
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		184	498
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>1,895</u>	<u>2,473</u>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		128	147
General Council Cash & Investments		1,036	1,181
<b>Restricted Investments/Funds - External:</b>			
<b>Development Contributions</b>			
- Section 94		84	100
- Section 64		289	312
Water Fund Operations		401	459
Sewerage Fund Operations		277	719
Domestic Waste Management operations		17	24
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		(337)	(469)
<b>Total Interest &amp; Investment Revenue Recognised</b>		<u>1,895</u>	<u>2,473</u>
<b>(d). Other Revenues</b>			
Fines - Parking		8	36
Fines - Other		10	6
Lease Rentals		217	160
Legal Fees Recovery - Rates & Charges (Extra Charges)		2	3
Administration		3	4
Bank Merchant Service Fees		12	11
Diesel Rebate		37	66
Environmental Services		4	5
Insurance - Premium Rebates		159	113
Road Closure/Compulsory Acquisition		18	21
Sales - General		8	3
Special Meter Reading Fees		6	6
Other		6	3
<b>TOTAL OTHER REVENUE</b>		<u>490</u>	<u>437</u>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	3,111	2,415	-	-
Financial Assistance - Local Roads Component	1,349	1,029	-	-
Pensioners' Rates Subsidies - General Component	481	212	-	-
<b>Total General Purpose</b>	<b>4,941</b>	<b>3,656</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	-	81	-	-
- Sewerage	-	73	-	-
- Domestic Waste Management	-	101	-	-
Water Supplies	-	-	-	1,000
Sewerage Services	-	33	1,175	2,140
Bushfire & Emergency Services	335	220	-	-
Community Care	457	244	-	-
Community Centres	80	10	-	-
Economic Development	-	21	-	-
Employment & Training Programs	141	119	-	-
Environmental Protection	313	57	-	-
Heritage & Cultural	9	-	-	-
Library	62	73	-	-
Museums	19	9	-	-
Noxious Weeds	161	64	-	-
Public Conveniences Disabled Access	20	32	-	-
Public Halls	4	5	-	-
Recreation & Culture	7	87	44	143
Street Lighting	19	18	-	-
Swimming Pools	11	-	-	20
Transport (Roads to Recovery)	532	531	-	-
Transport (Other Roads & Bridges Funding)	-	-	5	70
Other	8	7	-	-
<b>Total Specific Purpose</b>	<b>2,178</b>	<b>1,785</b>	<b>1,224</b>	<b>3,373</b>
<b>Total Grants</b>	<b>7,119</b>	<b>5,441</b>	<b>1,224</b>	<b>3,373</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	4,460	4,080	1,175	1,132
- State Funding	2,659	1,361	49	2,241
	<b>7,119</b>	<b>5,441</b>	<b>1,224</b>	<b>3,373</b>



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	191	273
S 64 - Water Supply Contributions	-	-	315	134
S 64 - Sewerage Service Contributions	-	-	366	310
<b>Total Developer Contributions</b>	17	-	<b>872</b>	<b>717</b>
<b>Other Contributions:</b>				
Bushfire Services	6	20	51	551
Environmental Monitoring	-	50	-	-
Heritage/Cultural	72	6	-	-
Recreation & Culture	8	6	16	23
Roads & Bridges	-	-	(10)	3
RMS Contributions (Regional Roads, Block Grant)	1,664	2,140	666	195
Sewerage (excl. Section 64 contributions)	-	2	5	-
Subdivider Dedications	-	-	1,429	1,710
Water Supplies (excl. Section 64 contributions)	-	83	14	-
Water & Sewer Asset Management	14	45	-	-
Other	2	57	-	-
<b>Total Other Contributions</b>	<b>1,766</b>	<b>2,409</b>	<b>2,171</b>	<b>2,482</b>
<b>Total Contributions</b>	<b>1,766</b>	<b>2,409</b>	<b>3,043</b>	<b>3,199</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>8,885</b>	<b>7,850</b>	<b>4,267</b>	<b>6,572</b>

## (g). Restrictions relating to Grants and Contributions

**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	9,314	8,148
add: Grants & contributions recognised in the current period but not yet spent:	3,384	3,330
less: Grants & contributions recognised in a previous reporting period now spent:	(2,827)	(2,164)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>557</b>	<b>1,166</b>
<b>Unexpended and held as Restricted Assets</b>	<b>9,871</b>	<b>9,314</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	3,292	2,943
- Developer Contributions	6,579	6,371
	<b>9,871</b>	<b>9,314</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		6,365	6,258
Travelling		417	359
Employee Leave Entitlements (ELE)		859	1,119
Superannuation		939	940
Workers' Compensation Insurance		224	358
Fringe Benefit Tax (FBT)		58	67
Training Costs (other than Salaries & Wages)		114	119
Other		92	118
<b>Total Employee Costs</b>		<b>9,068</b>	<b>9,338</b>
less: Capitalised Costs		(456)	(331)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>8,612</b>	<b>9,007</b>
Number of "Equivalent Full Time" Employees at year end		118	127
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		125	127
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		1,162	1,119
<b>Total Interest Bearing Liability Costs</b>		<b>1,162</b>	<b>1,119</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>1,162</b>	<b>1,119</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	40	38
Interest applicable on Interest Free (& favourable) Loans to Council		509	553
<b>Total Other Borrowing Costs</b>		<b>549</b>	<b>591</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,711</b>	<b>1,710</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		3,023	2,161
Contractor & Consultancy Costs		2,191	1,440
- Beach Inspections		56	53
- Cleaning of Council Buildings		70	69
- Equipment Hire		1,089	1,003
- Estuary Management Plan Consultant		33	21
- Ordinance Officer		107	103
- Town Planning Consultant		35	57
- Waste Collection Contract		2,346	2,374
- Contractor & Consultancy Costs - Water Reservoirs - Capital Works		623	486
- Contractor & Consultancy Costs - Sewer Mains - Capital Works		249	463
- Contractor & Consultancy Costs - Computer System - "Civica - Autho		31	232
- Contractor & Consultancy Costs - Financial		44	25
Auditors Remuneration <sup>(1)</sup>		56	54
Legal Expenses:			
- Legal Expenses: Planning & Development		32	59
- Legal Expenses: Other		227	39
<b>Total Materials &amp; Contracts</b>		<b>10,212</b>	<b>8,639</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>10,212</b>	<b>8,639</b>

**1. Auditor Remuneration**

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

**(i) Audit and Other Assurance Services**

- Audit & review of financial statements: Council's Auditor	23	27
- Other Services: Council's Auditor	24	27
<b>Remuneration for audit and other assurance services</b>	<b>47</b>	<b>54</b>

**(ii) Taxation Services**

<b>Remuneration for taxation services</b>	-	-
---	---	---

**(iii) Other Services**

- Other Services - Grant Acquitals	9	-
<b>Remuneration for other services</b>	<b>9</b>	<b>-</b>
<b>Total Auditor Remuneration</b>	<b>56</b>	<b>54</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		-	-	729	715
Office Equipment		-	-	120	107
Furniture & Fittings		-	-	15	14
Land Improvements (depreciable)		-	-	16	14
Buildings - Non Specialised		-	-	580	579
Buildings - Specialised		-	-	332	327
Other Structures		-	-	296	216
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	4,892	4,920
- Stormwater Drainage		-	-	396	390
- Water Supply Network		-	-	966	946
- Sewerage Network		-	-	922	861
Other Assets					
- Heritage Collections		-	-	5	-
- Other		-	-	1	-
Asset Reinstatement Costs	9 & 26	-	-	42	43
<b>Total Depreciation &amp; Impairment Costs</b>		-	-	<b>9,312</b>	<b>9,132</b>
less: Capitalised Costs		-	-	(78)	(50)
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		-	-	<b>9,234</b>	<b>9,082</b>

**(e) Other Expenses**

Other Expenses for the year include the following:

Advertising	112	71
Bad & Doubtful Debts	3	175
Bank Charges	38	37
Contributions/Levies to Other Levels of Government	58	58
- Bushfire Fighting Fund	269	226
- Waste Levy	204	119
- Other Contributions/Levies	60	55
Councillor Expenses - Mayoral Fee	24	22
Councillor Expenses - Councillors' Fees	94	94
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)	35	39
Donations, Contributions & Assistance to other organisations (Section 356)	144	302
- Library Committee	232	177
- SES Vehicle Expenses	28	22
Electricity & Heating	637	599
Insurance	549	513
Insurance Excess (PI/PL)	7	24
Office Expenses (including computer expenses)	240	220
Postage	43	25
Printing & Stationery	65	99
Street Lighting	194	195
Telephone & Communications	51	59
Valuation Fees	53	47
<b>Total Other Expenses</b>	<b>3,140</b>	<b>3,178</b>
<b>TOTAL OTHER EXPENSES</b>	<b>3,140</b>	<b>3,178</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		38	328
less: Carrying Amount of P&E Assets Sold / Written Off		(70)	(213)
<b>Net Gain/(Loss) on Disposal</b>		<b>(32)</b>	<b>115</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(31)	(770)
<b>Net Gain/(Loss) on Disposal</b>		<b>(31)</b>	<b>(770)</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		55	131
less: Carrying Amount of Real Estate Assets Sold / Written Off		(20)	(88)
<b>Net Gain/(Loss) on Disposal</b>		<b>35</b>	<b>43</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(28)</b>	<b>(612)</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012	2012	2011	2011
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		374	-	885	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>374</b>	<b>-</b>	<b>885</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Managed Funds		4,801	-	4,032	-
- Long Term Deposits		25,624	-	26,481	-
- Equity Linked Notes		-	-	986	-
- NCD's, FRN's (with Maturities > 3 months)		495	-	-	-
- CPPI's		-	-	431	-
- Tcorp		950	-	956	-
<b>Total Investment Securities</b>		<b>31,870</b>	<b>-</b>	<b>32,886</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>32,244</b>	<b>-</b>	<b>33,771</b>	<b>-</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were  
classified at year end in accordance with  
AASB 139 as follows:**

<b>Cash &amp; Cash Equivalents</b>					
a. "At Fair Value through the Profit & Loss"		<b>374</b>	<b>-</b>	<b>885</b>	<b>-</b>
<b>Investments</b>					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)			-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	6,246		6,405	-
b. "Held to Maturity"	6(b-ii)	25,624	-	26,481	-
c. "Loans & Receivables"	6(b-iii)			-	-
d. "Available for Sale"	6(b-iv)			-	-
<b>Investments</b>		<b>31,870</b>	<b>-</b>	<b>32,886</b>	<b>-</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6b. Investments (continued)

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	6,405	-	7,439	-
Revaluations (through the Income Statement)	184	-	498	-
Additions	3,890	-	9,444	-
Disposals (sales & redemptions)	(4,233)	-	(10,976)	-
<b>Balance at End of Year</b>	<b>6,246</b>	<b>-</b>	<b>6,405</b>	<b>-</b>
<b>Comprising:</b>				
- Managed Funds	4,801	-	4,032	-
- Equity Linked Notes	-	-	986	-
- NCD's, FRN's (with Maturities > 3 months)	495	-	-	-
- CPPI's	-	-	431	-
- Other Long Term Financial Assets	950	-	956	-
<b>Total</b>	<b>6,246</b>	<b>-</b>	<b>6,405</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	26,481	-	33,440	-
Additions	10,032	-	10,435	-
Disposals (sales & redemptions)	(10,889)	-	(17,394)	-
<b>Balance at End of Year</b>	<b>25,624</b>	<b>-</b>	<b>26,481</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	25,624	-	26,481	-
<b>Total</b>	<b>25,624</b>	<b>-</b>	<b>26,481</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil	-	-	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil	-	-	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	32,244	-	33,771	-
<b>attributable to:</b>				
External Restrictions (refer below)	27,493	-	28,706	-
Internal Restrictions (refer below)	4,030	-	4,351	-
Unrestricted	721	-	714	-
	<b>32,244</b>	<b>-</b>	<b>33,771</b>	<b>-</b>

2012	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	612	925	(984)	553
Specific Purpose Unexpended Loans-Water (A)	761	-	-	761
Specific Purpose Unexpended Loans-Sewer (A)	3,936	-	(1,353)	2,583
Security Deposits	699	52		751
Prepaid Private Works	52			52
<b>External Restrictions - Included in Liabilities</b>	<b>6,060</b>	<b>977</b>	<b>(2,337)</b>	<b>4,700</b>

**External Restrictions - Other**

Developer Contributions - General (D)	1,407	276	(322)	1,361
Developer Contributions - Water Fund (D)	3,120	497	(500)	3,117
Developer Contributions - Sewer Fund (D)	1,844	472	(215)	2,101
Specific Purpose Unexpended Grants (F)	2,943	2,139	(1,790)	2,784
Water Supplies (G)	8,047	174		8,221
Sewerage Services (G)	4,474		(1,369)	4,458
Domestic Waste Management (G)	811	174	(234)	751
<b>External Restrictions - Other</b>	<b>22,646</b>	<b>3,732</b>	<b>(4,430)</b>	<b>22,793</b>
<b>Total External Restrictions</b>	<b>28,706</b>	<b>4,709</b>	<b>(6,767)</b>	<b>27,493</b>



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	288			288
Employees Leave Entitlement	1,539	350	(258)	1,631
Council Building Reserve	195	9	(15)	189
Election	65	32		97
Environment Rate Unallocated	452		(23)	429
Expenditure Savings Re-allocated	112		(112)	-
Land Development	303	41		344
Lawn Cemetery	12		(4)	8
Office Equipment	186	25	(41)	170
On Site Sewer Management	13			13
Other Contributions	48	182	(6)	224
Public Road/Reserve Sales	80	11	(40)	51
Saleyards Upkeep	31	5		36
Stormwater Management	577		(424)	153
Swimming Pool	75		(37)	38
Waste Management	375	43	(59)	359
<b>Total Internal Restrictions</b>	<b>4,351</b>	<b>698</b>	<b>(1,019)</b>	<b>4,030</b>
<b>TOTAL RESTRICTIONS</b>	<b>33,057</b>	<b>5,407</b>	<b>(7,786)</b>	<b>31,523</b>

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Maritime Services for works on the State's classified roads.
- C Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		847	-	827	-
Interest & Extra Charges		77	-	106	-
User Charges & Fees		1,292	-	1,136	-
Accrued Revenues					
- Interest on Investments		613	-	584	-
Government Grants & Subsidies		1,137	-	415	-
Net GST Receivable		193	-	227	-
Other Debtors - General		1,528	-	327	-
Other Debtors Flood Damage - Parks		13	-	-	-
Other Debtors- On Site Sewer M'ment		29	-	-	-
Other Debtors		83	-	53	-
<b>Total</b>		<b>5,812</b>	<b>-</b>	<b>3,675</b>	<b>-</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(21)	-	(19)	-
User Charges & Fees		(1)	-	(2)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(22)</b>	<b>-</b>	<b>(21)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,790</b>	<b>-</b>	<b>3,654</b>	<b>-</b>
<b>Externally Restricted Receivables</b>					
Water Supply					
- Rates & Availability Charges		958	-	758	-
- Other		185	-	153	-
Sewerage Services					
- Rates & Availability Charges		306	-	257	-
- Other		503	-	525	-
Domestic Waste Management		335	-	341	-
<b>Total External Restrictions</b>		<b>2,287</b>	<b>-</b>	<b>2,034</b>	<b>-</b>
<b>Internally Restricted Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>3,503</b>	<b>-</b>	<b>1,620</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,790</b>	<b>-</b>	<b>3,654</b>	<b>-</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011- 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		211	21	211	41
Stores & Materials		572	-	713	-
<b>Total Inventories</b>		<b>783</b>	<b>21</b>	<b>924</b>	<b>41</b>
<b>Other Assets</b>					
Prepayments		429	-	354	-
<b>Total Other Assets</b>		<b>429</b>	<b>-</b>	<b>354</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>1,212</b>	<b>21</b>	<b>1,278</b>	<b>41</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		43	-	56	-
<b>Total Water</b>		<b>43</b>	<b>-</b>	<b>56</b>	<b>-</b>
<b>Sewerage</b>					
Nil		-	-	-	-
<b>Total Sewerage</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Domestic Waste Management</b>					
Nil		-	-	-	-
<b>Total Domestic Waste Management</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>					
Nil		-	-	-	-
<b>Total Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>43</b>	<b>-</b>	<b>56</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>1,169</b>	<b>21</b>	<b>1,222</b>	<b>41</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>1,212</b>	<b>21</b>	<b>1,278</b>	<b>41</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	179	-	158	21
Industrial/Commercial	32	21	53	20
<b>Total Real Estate for Resale</b>	<b>211</b>	<b>21</b>	<b>211</b>	<b>41</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Development Costs	211	21	211	41
<b>Total Costs</b>	<b>211</b>	<b>21</b>	<b>211</b>	<b>41</b>
less: Provision for Under Recovery			-	-
<b>Total Real Estate for Resale</b>	<b>211</b>	<b>21</b>	<b>211</b>	<b>41</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	211	41	288	41
- Purchases and other costs	20	(20)	11	-
- WDV of Sales (exp)	(20)		(88)	-
<b>Total Real Estate for Resale</b>	<b>211</b>	<b>21</b>	<b>211</b>	<b>41</b>

**(b) Current Assets not anticipated to be settled within the next 12 months**

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2012	2011
Real Estate for Resale	-	21
	-	21

**(c) Inventories recognised as an expense for the year included:**

- Real Estate for Resale	-
- Stores & Materials	-
- Trading Stock	-

**(d) Inventory Write Downs**

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2011				Asset Movements during the Reporting Period				as at 30/6/2012				
	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense & Transfers	Revaluation Decrements to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
	22,161	-	22,157	4	22,157	3,256	(70)	(16,608)		8,809	-	4	-
Plant & Equipment	-	10,267	6,556	3,711	340		(729)		-	10,455	7,203	-	3,252
Office Equipment	-	1,160	784	376	179		168		-	1,492	889	-	603
Furniture & Fittings	-	413	332	81	10		(15)		-	424	348	-	76
Plant & Equipment (under Finance Lease)	-	-	-	-	-		-		-	-	-	-	-
Land:	-	-	-	-	-		-		-	-	-	-	-
- Operational Land	-	9,535	-	9,535	-		-		-	9,535	-	-	9,535
- Community Land	-	17,212	-	17,212	-		-		-	17,212	-	-	17,212
- Land under Roads (pre 1/7/08)	-	-	-	-	-		-		933	-	-	-	933
- Land under Roads (post 30/6/08)	-	-	-	-	933		-		-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-		-		-	-	-	-	-
Land Improvements - depreciable	-	1,199	384	815	99		(16)		-	1,297	399	-	898
Buildings - Non Specialised	-	29,539	15,760	13,779	85		(580)	75	-	29,699	16,340	-	13,359
Buildings - Specialised	-	15,951	7,568	8,383	97	(31)	(332)		-	15,943	7,826	-	8,117
Other Structures	-	15,608	6,015	9,593	432		(296)		-	16,040	6,311	-	9,729
Infrastructure:	-	-	-	-	-		-		-	-	-	-	-
- Roads, Bridges, Footpaths	-	170,925	76,837	94,088	3,075		(4,892)	1,134	-	175,135	81,730	-	93,405
- Bulk Earthworks (non-depreciable)	-	18,181	-	18,181	-		-		-	18,181	-	-	18,181
- Stormwater Drainage	-	25,020	16,145	8,875	636		(396)	45	-	25,701	16,541	-	9,160
- Water Supply Network	-	74,822	34,335	40,487	287		(966)	224		65,034	27,475	-	37,559
- Sewerage Network	-	88,865	27,722	61,143	1,995		(922)	18,332		97,473	26,958	-	70,515
Other Assets:	-	-	-	-	-		-		-	-	-	-	-
- Heritage Collections	-	520	130	390	-		(5)		-	520	135	-	385
- Library Books	-	-	-	-	-		-		-	-	-	-	-
- Other	-	13	6	7	-		(1)		-	13	7	-	6
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)	-	-	-	-	-		-		-	-	-	-	-
- Tip Asset	635	-	343	292	-		(42)		635	-	385	-	250
- Quarry Asset	-	-	-	-	-		-		-	-	-	-	-
- Other Assets	-	-	-	-	-		-		-	-	-	-	-
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>22,796</b>	<b>479,230</b>	<b>192,921</b>	<b>309,105</b>	<b>11,424</b>	<b>(101)</b>	<b>(9,312)</b>	<b>3,370</b>	<b>(12,506)</b>	<b>10,377</b>	<b>192,551</b>	<b>-</b>	<b>301,990</b>

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$5,751,850) and New Assets (\$953,626). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 9b. Externally Restricted Infrastructure, Property, Plant &amp; Equipment

\$ '000	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	5,795		4	5,791	4,658	-	4	4,654
Plant & Equipment		273	168	105	-	257	150	107
Office Equipment		19	19	-	-	19	19	-
Furniture & Fittings		2	2	-	-	2	2	-
Land								
- Council Owned (Freehold)		699		699	-	699	-	699
Buildings		279	118	161	-	279	113	166
Other Structures		5	1	4	-	5	1	4
Infrastructure		65,033	27,474	37,559	-	74,822	34,335	40,487
<b>Total Water Supply</b>	<b>5,795</b>	<b>66,310</b>	<b>27,786</b>	<b>44,319</b>	<b>4,658</b>	<b>76,083</b>	<b>34,624</b>	<b>46,117</b>
<b>Sewerage Services</b>								
WIP				-	14,962	-	-	14,962
Plant & Equipment		523	305	218	-	472	286	186
Office Equipment		7	7	-	-	7	7	-
Furniture & Fittings		7	7	-	-	7	7	-
Land								
- Council Owned (Freehold)		1,031		1,031	-	1,031	-	1,031
- Council Controlled		61		61	-	61	-	61
Buildings		476	186	290	-	476	178	298
Infrastructure		97,473	26,958	70,515	-	88,865	27,722	61,143
<b>Total Sewerage Services</b>	<b>-</b>	<b>99,578</b>	<b>27,463</b>	<b>72,115</b>	<b>14,962</b>	<b>90,919</b>	<b>28,200</b>	<b>77,681</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>5,795</b>	<b>165,888</b>	<b>55,249</b>	<b>116,434</b>	<b>19,620</b>	<b>167,002</b>	<b>62,824</b>	<b>123,798</b>

## Note 9c. Infrastructure, Property, Plant &amp; Equipment - Current Year Impairments

\$ '000	Notes	Actual 2012	Actual 2011
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		2,328	-	1,621	-
Payments Received In Advance		56	-	58	-
Accrued Expenses:					
- Borrowings		204	-	208	-
- Salaries & Wages		-	-	65	-
- Other Expenditure Accruals		13	-	19	-
Government Departments		365	-	7	-
Security Bonds, Deposits & Retentions		96	655	84	615
Other		28	-	9	-
<b>Total Payables</b>		<b>3,090</b>	<b>655</b>	<b>2,071</b>	<b>615</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		2,061	23,633	1,984	24,260
<b>Total Borrowings</b>		<b>2,061</b>	<b>23,633</b>	<b>1,984</b>	<b>24,260</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		721	-	719	-
Sick Leave		932	-	881	-
Long Service Leave		1,803	52	1,606	40
Other Leave		243	-	117	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>3,699</b>	<b>52</b>	<b>3,323</b>	<b>40</b>
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	763	-	723
<b>Total Provisions</b>		<b>3,699</b>	<b>815</b>	<b>3,323</b>	<b>763</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>8,850</b>	<b>25,103</b>	<b>7,378</b>	<b>25,638</b>

## (i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	112	3,574	108	3,628
Sewer	1,628	11,040	1,611	12,093
Other	-	-	-	-
Liabilities relating to externally restricted assets	1,740	14,614	1,719	15,721
<b>Internally Restricted Assets</b>				
Nil	-	-	-	-
Liabilities relating to internally restricted assets	-	-	-	-
<b>Total Liabilities relating to restricted assets</b>	<b>1,740</b>	<b>14,614</b>	<b>1,719</b>	<b>15,721</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures &amp; Security can be found in Note 15.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	2012	2011
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	<u>2,453</u>	<u>2,234</u>
	<b>2,453</b>	<b>2,234</b>

## Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	719	540	(538)			721
Sick Leave	881	324	(273)			932
Long Service Leave	1,646	432	(223)			1,855
Other Leave	117	126				243
Asset Remediation	723	40				763
<b>TOTAL</b>	<b>4,086</b>	<b>1,462</b>	<b>(1,034)</b>	-	-	<b>4,514</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

c. Other Provisions represent the AAS30 adjustment for ELE



## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	374	885
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>374</b>	<b>885</b>
 <b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>1,597</b>	<b>2,881</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		9,234	9,082
Net Losses/(Gains) on Disposal of Assets		28	612
Non Cash Capital Grants and Contributions		(1,429)	(2,029)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(184)	(498)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		509	553
Unwinding of Discount Rates on Reinstatement Provisions		40	38
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(2,137)	147
Increase/(Decrease) in Provision for Doubtful Debts		1	1
Decrease/(Increase) in Inventories		141	(112)
Decrease/(Increase) in Other Assets		(75)	-
Increase/(Decrease) in Payables		707	431
Increase/(Decrease) in accrued Interest Payable		(4)	5
Increase/(Decrease) in other accrued Expenses Payable		(71)	64
Increase/(Decrease) in Other Liabilities		427	(212)
Increase/(Decrease) in Employee Leave Entitlements		388	(7)
<b>NET CASH PROVIDED FROM/(USED IN)</b>		<b>9,172</b>	<b>10,956</b>
<b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>9,172</b>	<b>10,956</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Bushfire Grants		-	319
Subdivisions		1,425	1,710
Other Non Cash Items		4	-
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>1,429</b>	<b>2,029</b>

**(d) Financing Arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit Cards / Purchase Cards	3	3
<b>Total Financing Arrangements</b>	<b>3</b>	<b>3</b>

**Amounts utilised as at Balance Date:**

- Credit Cards / Purchase Cards	3	3
<b>Total Financing Arrangements Utilised</b>	<b>3</b>	<b>3</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

**(ii) Secured Loan Liabilities**

Loans are secured by a mortgage over future years Rate Revenue only.

**(e) Net Cash Flows Attributable to Discontinued Operations**

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 12: Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings			100
Structures		40,440	1,020
Roads & Bridges		1,280	-
<b>Total Commitments</b>		<b>41,720</b>	<b>1,120</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		41,720	1,120
<b>Total Payable</b>		<b>41,720</b>	<b>1,120</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		-	100
Future Grants & Contributions		32,020	-
Unexpended Grants			1,020
Internally Restricted Reserves		3,700	-
New Loans (to be raised)		6,000	-
<b>Total Sources of Funding</b>		<b>41,720</b>	<b>1,120</b>

**(b) Finance Lease Commitments**

Nil

**(c) Operating Lease Commitments (Non Cancellable)**

Nil

**(d) Investment Property Commitments**

Nil

**(e) Investment in Associates / Joint Ventures - Commitments**

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts	Indicator	Prior Periods	
	2012	2012	2011	2010
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>9,423</u>	2.02 : 1	2.30	3.93
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>4,657</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>3,219</u>	12.23%	13.11%	6.19%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>26,323</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>14,500</u>	41.99%	39.49%	38.01%
Income from Continuing Operations	<u>34,534</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>903</u>	5.81%	6.16%	5.79%
Rates, Annual & Extra Charges Collectible	<u>15,544</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>5,712</u>	70.62%	83.57%	76.07%
Depreciation, Amortisation & Impairment	<u>8,088</u>			

## Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

<sup>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

<sup>(4)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions <sup>(1)</sup></u>	<b>17.36 : 1</b>	<b>0.57 : 1</b>	<b>2.25 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:	14.06 : 1	0.63 : 1	1.58 : 1
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>7.84%</b>	<b>47.04%</b>	<b>5.67%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	9.30%	47.05%	5.97%
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>15.71%</b>	<b>44.40%</b>	<b>45.86%</b>
Income from Continuing Operations			
prior period:	8.92%	33.23%	47.05%
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>5.87%</b>	<b>12.50%</b>	<b>4.49%</b>
Rates, Annual & Extra Charges Collectible			
prior period:	9.61%	11.45%	5.07%
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>20.91%</b>	<b>199.24%</b>	<b>59.24%</b>
Depreciation, Amortisation & Impairment			
prior period:	44.22%	215.95%	70.85%

## Notes

<sup>(1)</sup> General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

# Nambucca Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
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Council has not classified any Land or Buildings as "Investment Properties"

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 15. Financial Risk Management

\$ '000

## Risk Management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by Council's Finance Section with assistance of independent advisors under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	374	885	351	863
Investments				
- "Designated At Fair Value on Initial Recognition"	6,246	6,405	6,246	6,405
- "Held to Maturity"	25,624	26,481	25,624	26,504
Receivables	5,790	3,654	5,790	3,655
<b>Total Financial Assets</b>	<b>38,034</b>	<b>37,425</b>	<b>38,011</b>	<b>37,427</b>
<b>Financial Liabilities</b>				
Payables	3,689	2,628	3,678	2,617
Loans / Advances	25,694	26,244	26,796	28,364
<b>Total Financial Liabilities</b>	<b>29,383</b>	<b>28,872</b>	<b>30,474</b>	<b>30,981</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "at fair value through profit & loss" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 15. Financial Risk Management (continued)

\$ '000

**(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss',  
"Available-for-sale" financial assets & "Held-to-maturity" Investments**

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 10% movement in Market Values	510	510	(510)	(510)
Possible impact of a 1% movement in Interest Rates	319	319	(319)	(319)
<b>2011</b>				
Possible impact of a 10% movement in Market Values	640	640	(640)	(640)
Possible impact of a 1% movement in Interest Rates	329	329	(329)	(329)



## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 15. Financial Risk Management (continued)

\$ '000

## (b) Receivables

Council's major receivables comprise (i) Rates & Annual charges and (ii) User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

A profile of Council's receivables credit risk at balance date follows:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	470	4,743	498	2,802
Overdue	377	222	329	46
	<u>847</u>	<u>4,965</u>	<u>827</u>	<u>2,848</u>

## (ii) Movement in Provision for Impairment of Receivables

	2012	2011
Balance at the beginning of the year	21	20
+ new provisions recognised during the year	1	1
<b>Balance at the end of the year</b>	<u>22</u>	<u>21</u>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 15. Financial Risk Management (continued)

\$ '000

## (c) Payables &amp; Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2012</b>									
Trade/Other Payables	751	815	655					2,221	3,689
Loans & Advances		2,061	2,103	2,089	2,138	2,132	15,171	25,694	25,694
<b>Total Financial Liabilities</b>	<b>751</b>	<b>2,876</b>	<b>2,758</b>	<b>2,089</b>	<b>2,138</b>	<b>2,132</b>	<b>15,171</b>	<b>27,915</b>	<b>29,383</b>
<b>2011</b>									
Trade/Other Payables	699	763	615	-	-	-	-	2,077	2,628
Loans & Advances	-	1,984	2,036	2,077	2,061	2,109	15,977	26,244	26,244
<b>Total Financial Liabilities</b>	<b>699</b>	<b>2,747</b>	<b>2,651</b>	<b>2,077</b>	<b>2,061</b>	<b>2,109</b>	<b>15,977</b>	<b>28,321</b>	<b>28,872</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.5%	-	0.5%
Trade/Other Payables	3,689	0.0%	2,628	0.0%
Loans & Advances - Fixed Interest Rate	25,694	7.3%	26,244	7.5%
	<u>29,383</u>		<u>28,872</u>	

# Nambucca Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 16 - Material Budget Variations

Council's Original Financial Budget for 11/12 was incorporated as part of its Management Plan and was adopted by Council on 30 June, 2011.

The Income Statement and Note 2 (a) provides budget information of revenues and expenditures of each of the major activities of the council. Budget figures presented are those adopted by council for the 2011/12 financial year including transactions between activity areas and entities eliminated from the actual figure, and do not include council approved variations throughout the year. Council's original forecast for Interest & Investment Revenue was conservative based on fallout from the recent global financial crisis. With returns stabilising, Council was able to review its budget during the year. Council achieved \$315,000 or 20% above the original estimate at the 30 June.

Other revenues increased by \$92,000 on the original budget. The major contributing item was the reimbursement of Council's share of reserves held by Clarence Regional Library of \$70,000 as a result of Council's decision to withdraw from the regional arrangement.

A variation exists in both operating and capital grants & contributions. With regard to grants the actual amount of grants received depends on decisions made by State and Federal Governments after the Original Budget was adopted.

Operating Grants & Contributions increased by 76% or \$3,838,000 on the budgeted figure. This was primarily due to funding received for flood damage works totaling \$1,792,000 for roads and bridges. Also there was a variation between operating and capital estimates for regional road funding of \$95,000. Additional grants were received for community services of \$289,000 (Healthy Communities) and \$48,000 (Professional Sport Development). There was also \$628,000 in relation to the early payment of the 12/13 Financial Assistance Grant. Additional town planning and environmental protection grants of \$41,000 for planning reform fund, WASIP funding of \$143,000 and \$110,000 (Our Living Coast) and noxious weeds funding of \$101,000 were also received. There was also a contribution of \$80,000 for the relocation of Radio Nambucca and \$54,000 from the Rural Fire Service and \$44,000 from Roads & Maritime Services for specific projects.

In relation to capital Grants & Contributions, the \$2,300,000 decrease was primarily a result of the delay to the Water Off-River Water Storage project where expected funding of \$3,379,000 subsidising works associated with the project was not due in 11/12. An additional \$924,000 to that of the original budget was received for Nambucca Sewerage Augmentation project where the majority of this figure was included in the previous year's original budget and revoted to this financial year. Variations in employee costs will often arise as employees are engaged in both maintenance and capital works, the proportions of which vary from year to year and some employee costs that were forecasted in relation to capital works were required for maintenance. It is not Council's practice to make detailed calculations between maintenance and capital employee costs as part of its budgeting process.

In materials and contracts, the process of calling and accepting tenders during the year can result in substantial changes to the mix of self-constructed and contracted works. Work relating to the flood damage events mentioned earlier also contributed to the variance in materials & contracts. A decrease of \$526,000 or 14% to the original budget occurred in Other Expenses. A number of items contributed to the reduction including, a reduction to expected insurance premiums and claims excess of \$117,000, \$87,000 in consultancies, \$72,000 in street lighting costs, \$46,000 in IT expenses, \$37,000 contribution to Mid Coast Waste, \$35,000 in town planning office and legal expenses, \$23,000 contribution to regional library, \$22,000 in stationary/printing/postage, \$17,000 in bad debts, \$17,000 bank charges and \$17,000 contribution to RFS.

The loss from disposal of assets related to the remaining book value on the Ferry Street Toilet Block that was demolished by a truck accident.

Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	141	134	-	10	(10)	-	275	441	(353)	363	-
Traffic Facilities	379	3	-	17	(101)	-	298	58	(50)	306	-
Parking	70	-	-	4	-	-	74	14	-	88	-
Open Space	928	46	-	52	(211)	-	815	560	(61)	1,314	-
Surf Club Equipment	21	3	-	1	-	-	25	27	-	52	-
Section 94 Planner	(132)	6	-	-	-	-	(126)	-	-	(126)	-
<b>S94 Contributions - under a Plan</b>	<b>1,407</b>	<b>192</b>	<b>-</b>	<b>84</b>	<b>(322)</b>	<b>-</b>	<b>1,361</b>	<b>1,100</b>	<b>(464)</b>	<b>1,997</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>1,407</b>	<b>192</b>	<b>-</b>	<b>84</b>	<b>(322)</b>	<b>-</b>	<b>1,361</b>				
S64 Contributions	4,964	680	-	289	(715)	-	5,218				
<b>Total Contributions</b>	<b>6,371</b>	<b>872</b>	<b>-</b>	<b>373</b>	<b>(1,037)</b>	<b>-</b>	<b>6,579</b>	<b>1,100</b>	<b>(464)</b>	<b>1,997</b>	<b>-</b>

Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		Cumulative Internal Borrowings due/(payable)
	Cash	Non Cash					Exp still outstanding	Over or (under) Funding	
Roads	141	134	10	(10)		275	441	(353)	363
Traffic Facilities	379	3	17	(101)		298	58	(50)	306
Parking	70		4			74	14	-	88
<b>Total</b>	<b>590</b>	<b>137</b>	<b>31</b>	<b>(111)</b>	<b>-</b>	<b>647</b>	<b>513</b>	<b>(403)</b>	<b>757</b>

PURPOSE	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		Cumulative Internal Borrowings due/(payable)
	Cash	Non Cash					Exp still outstanding	Over or (under) Funding	
Open Space	928	46	52	(211)		815	560	(61)	1,314
<b>Total</b>	<b>928</b>	<b>46</b>	<b>52</b>	<b>(211)</b>	<b>-</b>	<b>815</b>	<b>560</b>	<b>(61)</b>	<b>1,314</b>

CONTRIBUTION PLAN - Surf Club Equipment

PURPOSE	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		Cumulative Internal Borrowings due/(payable)
	Cash	Non Cash					Exp still outstanding	Over or (under) Funding	
Surf Club Equipment	21	3	1	-		25	27	-	52
<b>Total</b>	<b>21</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>27</b>	<b>-</b>	<b>52</b>

CONTRIBUTION PLAN NUMBER Section 94

PURPOSE	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		Cumulative Internal Borrowings due/(payable)
	Cash	Non Cash					Exp still outstanding	Over or (under) Funding	
Section 94 Planner	(132)	6	-	-		(126)	-	-	(126)
<b>Total</b>	<b>(132)</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(126)</b>	<b>-</b>	<b>-</b>	<b>(126)</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 18. Contingencies &amp; Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

**LIABILITIES NOT RECOGNISED:****1. Guarantees****(i) Defined Benefit Superannuation Contribution Plans**

"The Local Government Superannuation Scheme - Pool B (the scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AAS119. Sufficient information under AAS119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2012 was \$475,976. The last valuation of the Scheme was performed by Mr. Martin Stevenson BSc,FIA,FIAA on 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30 June 2012 a deficit exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$160,498.

The share of this deficit that can be broadly attributed to your organisation was estimated to be in the order of \$1,140,761 as at 30 June 2012.

**(ii) Statewide Limited**

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 18. Contingencies &amp; Other Assets/Liabilities Not Recognised (continued)

\$ '000

**LIABILITIES NOT RECOGNISED (continued):****2. Other Liabilities****(i) HIH Insurance**

During the period 1988, 1990, 1991-1993, a portion of Council's public liability cover was insured or re-insured with a member of the HIH Insurance group of companies.

Council may have to defend public liability claims made during these periods and satisfy any judgements.

**(ii) Third Party Claims**

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

**(iii) S94 Plans**

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

**ASSETS NOT RECOGNISED:****(i) Land Under Roads**

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

\$ '000

Council is one of six member Councils of the Clarence Regional Library. Council is represented on the Clarence Regional Committee which is responsible for the policies and procedures. The day to day management of the Service is the responsibility of the Executive Officer and the financial reporting is included in the consolidated report of the Clarence Valley Regional Council. Council makes an annual contribution to the operating expenses of the Service for the provision of book stocks and information technology services. The co-operative arrangement does establish the share of assets to which Council would be entitled to in the event of the winding up of the arrangement.

Council acknowledges that non disclosure of the assets and liabilities of the Clarence Regional Library is a departure from AAS 19 - Interest in Joint Ventures.

**Subsidiaries****Note 19(a)**

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

**Associated Entities & Joint Venture Entities****Note 19(b) (i)&(ii)**

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

**Joint Venture Operations****Note 19(c)**

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

**Subsidiaries, Associated Entities and Joint Ventures Not Recognised****Note 19(d)****19(a) Subsidiaries (ie. Entities & Operations controlled by Council)****19(b) Associated Entities & Joint Venture Entities**

Council has no interest in any Associated Entities &amp; Joint Venture Entities.

**(i) ASSOCIATED ENTITIES**

Council has no interest in any Associated Entities.

**(ii) JOINT VENTURE ENTITIES**

Council has no interest in any Joint Venture Entities.

**19(c) Joint Venture Operations**

Council has no interest in any Joint Venture Operations.

**19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised**

The following Subsidiaries, Associated Entities &amp; Joint Ventures have not been recognised in this Financial Report.

None.



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		215,901	213,409
a. Correction of Prior Period Errors	20 (c)	3,370	(1,159)
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		1,597	2,881
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		29	770
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<u><u>220,897</u></u>	<u><u>215,901</u></u>

**b. Reserves****(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	86,397	98,932
<b>Total</b>	<u><u>86,397</u></u>	<u><u>98,932</u></u>

**(ii) Reconciliation of movements in Reserves:**

<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>		
- Opening Balance		98,932
- Revaluations for the year	3(a)	(12,506)
- Transfer to Retained Earnings for Asset disposals		(29)
- Correction of Prior Period Errors	20(c)	(770)
- <b>Balance at End of Year</b>		<u><u>86,397</u></u>

**"Available for Sale" Financial Investments Revaluation Reserve**

- Opening Balance	-	-
- <b>Balance at End of Year</b>	<u><u>-</u></u>	<u><u>-</u></u>

**Other Reserves**

- Opening Balance	-	-
- <b>Balance at End of Year</b>	<u><u>-</u></u>	<u><u>-</u></u>

**TOTAL VALUE OF RESERVES**

<u><u>86,397</u></u>	<u><u>98,932</u></u>
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**(iii) Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

**"Available for Sale" Financial Investments Revaluation Reserve**

- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in Reserves are recognised in the Income Statement (in full) by way of transfer from the Reserve.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
- Water Asset Class			
- Sewer Asset Class			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/11 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/11 to reflect the correct value of accumulated depreciation;			
Sewer Asset Class (increase)/decrease to accumulated depreciation		3,370	
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
As part of a revaluation exercise, Council assessed the remaining useful life of certain asset classes (being revalued in 10/11) to actual.			
This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/10 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/10 to reflect the correct value of accumulated depreciation;			
- Other Structures Asset Class (increase) to accumulated depreciation			(1,136)
- Other Assets - Heritage Asset Class (increase) to accumulated depreciation			(125)
- Other Assets - Asset Class decrease to accumulated depreciation			7
- Land Improvements Asset Class decrease to accumulated depreciation			95
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)			-
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		3,370	(1,159)
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>3,370</b>	<b>(1,159)</b>

**d. Voluntary Changes in Accounting Policies**

Council made no voluntary changes in any accounting policies during the year.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
<b>Continuing Operations</b>	<b>Other</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>				
Rates & Annual Charges		654	2,448	11,398
User Charges & Fees		2,248	906	1,343
Interest & Investment Revenue		583	384	928
Other Revenues		197	90	203
Grants & Contributions provided for Operating Purposes		86	75	8,724
Grants & Contributions provided for Capital Purposes		396	1,611	2,260
<b>Other Income</b>				
<b>Total Income from Continuing Operations</b>	<b>-</b>	<b>4,164</b>	<b>5,514</b>	<b>24,856</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs		1,062	1,422	6,128
Borrowing Costs		254	325	1,132
Materials & Contracts		730	1,714	7,768
Depreciation & Amortisation		990	976	7,268
Other Expenses		-	-	3,140
Net Losses from the Disposal of Assets		-	12	16
<b>Total Expenses from Continuing Operations</b>	<b>-</b>	<b>3,036</b>	<b>4,449</b>	<b>25,452</b>
<b>Operating Result from Continuing Operations</b>	<b>-</b>	<b>1,128</b>	<b>1,065</b>	<b>(596)</b>
<b>Discontinued Operations</b>				
<b>Net Profit/(Loss) from Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the Year</b>	<b>-</b>	<b>1,128</b>	<b>1,065</b>	<b>(596)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>-</b>	<b>1,128</b>	<b>1,065</b>	<b>(596)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>-</b>	<b>732</b>	<b>(546)</b>	<b>(2,856)</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Other

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

## Nambucca Shire Council

## Notes to the Financial Statements

as at 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
	Other	Water	Sewer	General <sup>1</sup>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents		-	-	374
Investments		12,099	9,142	10,629
Receivables		1,143	329	4,318
Inventories		43	-	740
Other		-	-	429
<b>Total Current Assets</b>	<b>-</b>	<b>13,285</b>	<b>9,471</b>	<b>16,490</b>
<b>Non-Current Assets</b>				
Receivables		-	480	-
Inventories		-	-	21
Infrastructure, Property, Plant & Equipment		44,319	72,115	185,546
<b>Total Non-Current Assets</b>	<b>-</b>	<b>44,319</b>	<b>72,595</b>	<b>185,567</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>57,604</b>	<b>82,066</b>	<b>202,057</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables		58	66	2,966
Borrowings		54	1,562	445
Provisions		-	-	3,699
<b>Total Current Liabilities</b>	<b>-</b>	<b>112</b>	<b>1,628</b>	<b>7,110</b>
<b>Non-Current Liabilities</b>				
Payables		-	-	1,135
Borrowings		3,574	11,040	9,019
Provisions		-	-	815
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>3,574</b>	<b>11,040</b>	<b>10,969</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,686</b>	<b>12,668</b>	<b>18,079</b>
<b>Net Assets</b>	<b>-</b>	<b>53,918</b>	<b>69,398</b>	<b>183,978</b>
<b>EQUITY</b>				
Retained Earnings		31,790	52,740	136,367
Revaluation Reserves		22,128	16,658	47,611
Council Equity Interest		-	53,918	183,978
<b>Total Equity</b>	<b>-</b>	<b>53,918</b>	<b>69,398</b>	<b>183,978</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Other

NB. All amounts disclosed above are Gross - that is, they include internal receivables &amp; payables between the Funds.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 22. "Held for Sale" Non Current Assets &amp; Disposal Groups

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 23. Events occurring after Balance Sheet Date

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 \$ '000
 

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Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 25/10/12.

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

**(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

**(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

Council is aware of the following "non adjusting events" that merit disclosure;

**1. Transfer of the Macksville Showground to the Nambucca River Agricultural Association Inc.**

The Council has agreed to transfer the Showground to the Association for \$1 and enter into a deed of agreement to pay the Association \$35,000 per annum for 10 years for the management of the facility.

**2. Local Infrastructure Renewal Scheme - Provision of Interest rate Subsidy**

The Council has received an offer under the State Government's Local Infrastructure Renewal Scheme to provide a 4% interest rate subsidy on total borrowings of \$1,310,000 which is being used to finance Council's bridge replacement program.

**3. Nambucca Heads Sewerage Treatment Upgrade - Claim for Variations**

Following completion of the project, Council received a claim for variations from the contractor. The claim is being assessed by the Council's Project Manager, and the Department of Public Works.

**4. Acceptance of tenders for the construction of the Bowraville Off River Water Storage**

Council has accepted tenders for the construction of the 4,500ML Bowraville Off River Storage. The construction cost of the water storage is approximately \$36m of which the NSW government has promised to provide funding of \$14,806,405 and the Commonwealth Government has promised to provide funding of \$9,000,000.

**5. Reduction in Financial Assistance Grants**

In 2012/13 Council had budgeted to receive financial assistance grants from the Commonwealth Government comprising a general purpose component to \$2,546,800 and a local roads component of \$1,100,100. On 18 July 2012 Council was advised by the NSW Local Government Grants Commission that it will receive a general purpose component of \$2,400,698 and a local roads component of \$1,054,657. In total Council will be receiving \$191,545 less than what was budgeted for. Council will need to respond to this loss of revenue in its 2012/13 September quarter budget review.

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will not have an impact on Council's operating results going forward.

Landfill facilities with emissions of 25,000 tonnes CO<sub>2</sub>-e and over will be subject to the carbon tax. Landfill facilities with emissions of between 10,000 and 25,000 tonnes CO<sub>2</sub>-e will be subject to the carbon tax if they are within a "prescribed distance" of a designated large landfill facility with emissions of 25,000 tonnes CO<sub>2</sub>-e and over. However the initial "prescribed distance" will be set at "0 km" so that smaller landfills with emissions between 10,000 and 25,000 tonnes will not be liable on 1 July 2012 and for at least 3 years from commencement of the scheme. It is possible that the "prescribed distance" will be increased after this 3 year period has been expired so that smaller landfills may be subject to the carbon tax after 2015.

Nambucca is not captured in the NSW Local Council Landfills list and it is unlikely that it will be captured when the prescribed distance is introduced.

No financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 24. Discontinued Operations

	Actual 2012	Actual 2011
\$ '000		

Council has not classified any of its Operations as "Discontinued".

**Nambucca Shire Council****Notes to the Financial Statements**  
for the financial year ended 30 June 2012**Note 25. Intangible Assets**

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**\$ '000**

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Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 26. Reinstatement, Rehabilitation &amp; Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Old Coast Road - Nambucca Heads	2012	763	723
Balance at End of the Reporting Period	10(a)	<u>763</u>	<u>723</u>

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

**Reconciliation of movement in Provision for year:**

Balance at beginning of year	723	685
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	40	38
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b><u>763</u></b>	<b><u>723</u></b>

**Amount of Expected Reimbursements**

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

# Nambucca Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 27. Council Information & Contact Details

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**Principal Place of Business:**

44 Princess Street  
MACKSVILLE NSW 2447

**Contact Details****Mailing Address:**

Po Box 177  
MACKSVILLE NSW 2447

**Opening Hours:**

Monday to Friday - 8.30am to 4.00pm

**Telephone:** 02 6568 2555

**Facsimile:** 02 6568 2201

**Internet:** [www.nambucca.nsw.gov.au](http://www.nambucca.nsw.gov.au)

**Email:** [council@nambucca.nsw.gov.au](mailto:council@nambucca.nsw.gov.au)

**Officers****GENERAL MANAGER**

Michael Coulter

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Doolan

**PUBLIC OFFICER**

Michael Coulter

**AUDITORS**

Forsyths Chartered Accountant  
PO Box 114  
ARMIDALE NSW 2350

**Elected Members****MAYOR**

Rhonda Hoban

**COUNCILLORS**

John Ainsworth  
Martin Ballangarry, OAM  
Kim MacDonald  
Brian Finlayson  
Paula Flack  
Elaine South  
Anne Smyth

**Other Information**

**ABN:** 71 323 535 981

**Armidale**

92 Rusden Street  
PO Box 114  
Armidale NSW 2350

**p** +61 2 6773 8400

**f** +61 2 6772 9957

**email** [armidale@forsyths.com.au](mailto:armidale@forsyths.com.au)

Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

## **INDEPENDENT AUDIT REPORT** **Report on the general purpose financial statements**

**To Nambucca Shire Council**

### **SCOPE**

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Nambucca Shire Council (the Council), for the year ended 30<sup>th</sup> June 2012.

#### ***Councils' responsibility for the financial statements***

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

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

# Forsyths

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

## INDEPENDENCE

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

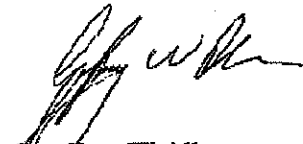
## AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
  - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2012 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

*Forsyths*

**Forsyths Business Services Pty Ltd**



**Geoffrey W Allen**  
Principal

25<sup>th</sup> October 2012  
92 Rusden Street Armidale

25 October 2012

The Mayor  
Nambucca Shire Council  
PO Box 177  
MACKSVILLE 2447

**Armidale**

92 Rusden Street  
PO Box 114  
Armidale NSW 2350

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*f* +61 2 6772 9957  
*e* [armidale@forsyths.com.au](mailto:armidale@forsyths.com.au)

Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

Dear Sir

## AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2012

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2012 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

### *Audit Objectives*

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the general purpose financial statements:

- were presented fairly in accordance with the requirements of the *Local Government Act 1993* and prescribed Regulations and the Australian Accounting Standards; and
- presented a view which was consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

### *Scope of the Audit*

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.

Council is responsible for preparing financial statements that give a true and fair of the financial position and performance of the Council, that complies with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

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

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

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

#### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of Nambucca Shire Council for the year ended 30 June 2012 included on Nambucca Shire Council's web site. Council is responsible for the integrity of it's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Additional Reporting Requirements**

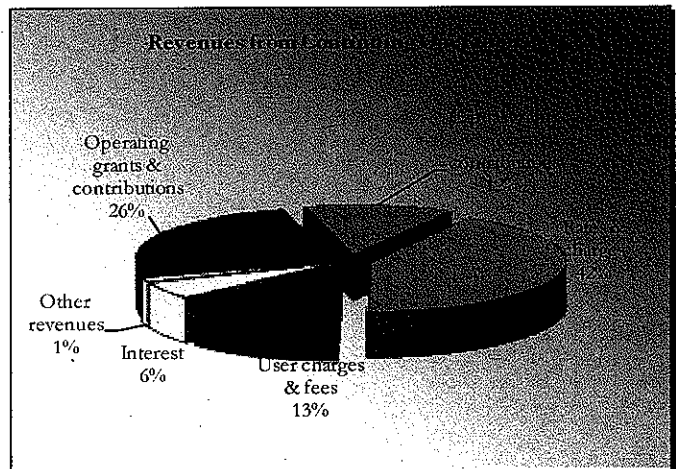
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The combined income statement for the year ended 30 June 2012 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2012	2012	2011	Actual	Budget
	\$'000	\$'000	\$'000	%	%
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	14,687	14,500	13,863	4.6%	-1.3%
User charges & fees	4,902	4,497	3,914	14.9%	-8.3%
Interest	1,580	1,895	2,473	-23.4%	19.9%
Other revenues from ordinary activities	398	490	437	12.1%	23.1%
Grants & contributions for operating purposes	5,047	8,885	7,850	13.2%	76.0%
Grants & contributions for capital purposes	6,567	4,267	6,572	-35.1%	-35.0%
Gain from sale of assets	32	0	0	0.0%	0.0%
<b>Total income from continuing operations</b>	<b>33,213</b>	<b>34,534</b>	<b>35,109</b>	<b>-1.6%</b>	<b>4.0%</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	8,960	8,612	9,007	-4.4%	-3.9%
Borrowing costs	1,835	1,711	1,710	0.1%	-6.8%
Materials and contracts	6,972	10,212	8,639	18.2%	46.5%
Depreciation & amortisation	9,484	9,234	9,082	1.7%	-2.6%
Other expenses from ordinary activities	3,666	3,140	3,178	-1.2%	-14.3%
Loss from disposal of assets	0	28	612	-95.4%	0.0%
<b>Total Expenses from continuing operations</b>	<b>30,917</b>	<b>32,937</b>	<b>32,228</b>	<b>2.2%</b>	<b>6.5%</b>
<b>NET OPERATING RESULT FOR YEAR</b>	<b>2,296</b>	<b>1,597</b>	<b>2,881</b>	<b>-44.6%</b>	<b>-30.4%</b>
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>(4,271)</b>	<b>(2,670)</b>	<b>(3,691)</b>	<b>-27.7%</b>	<b>-37.5%</b>

The operating result of \$1.6m is after recognising grants and contributions for capital expenditure purposes of \$4.3m. The expenditure of these grants is not recognised as part of the operating result but is recorded in the Balance Sheet and when excluded council achieved a deficit of \$2.6m (2011: deficit \$3.7m).

Operating revenues remained at similar levels to 2011 with a reduction in interest revenue and grants & contributions for capital purposes offset by increases in grants and contributions for operating and user charges & fees. Interest revenue was lower as there were less fair value adjustments on investments this year, capital grants for water services and sewerage services were lower and there were less subdivider dedications during the year. Operating grants and contributions increased mainly due to increased financial assistance grants with the early receipt of 2013 instalments during the year. User charges & fees increased during the year mainly due to increases in water and sewer charges.



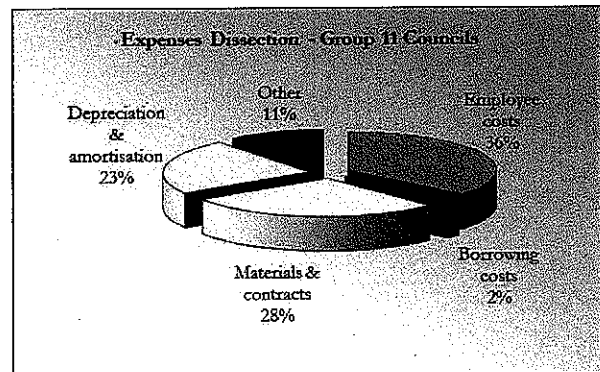
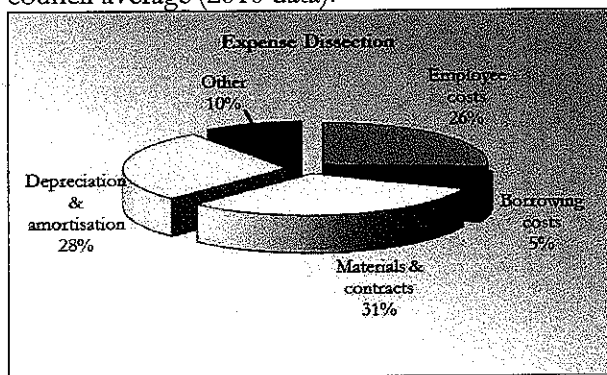
Operating expenses remained at similar levels to 2011, decreases in employee benefits & on costs and

loss on disposal of assets were offset by increases in materials and contracts. Employee costs decreased due to a reductions of staff numbers and an increase of capitalisation of staff costs into capital projects during the year. Loss on the disposal of assets decreased due to a reduction of assets sold and a reduction of write off during the year. Materials and contracts increased mainly as a result of increased repairs and maintenance due to the damage to infrastructure caused by the flood events during the year.

The operating surplus for the year of \$1.6m compares with the original budget surplus of \$2.3m. The variance between the actual results and the original budget is primarily due to the following:

- Interest revenue (\$0.3m favourable to budget) – the variance is due to better than expected interest returns and continued improvement in market values of its investments.
- Operating grants & contributions (\$3.8m favourable to budget) – the variance is principally due to the increased funding received for flood damage works, additional grants for community services and an early payment of a 2012/13 financial assistance grant instalment.
- Capital grants & contributions (\$2.3m unfavourable to budget) – the variance is principally due to a delay in the Water Off-River Water Storage project.
- Employee benefits & on costs (\$0.3m favourable to budget) – the variance is principally due to higher capitalisation of employee costs during the year.
- Materials and Contracts (\$3.2m unfavourable to budget) – the variance is principally due to the changing mix of internally constructed and contracted works and the increased repairs and maintenance due to flood events during the year.
- Other expenses (\$0.5m favourable to budget) – the variance is mainly due to lower than expected, insurance costs, consultancy costs, street lighting cost, IT expenses, waste costs and town planning and legal costs.

Below is a comparison of expense dissections for the Council for 2012 compared to the Group 11 council average (2010 data).



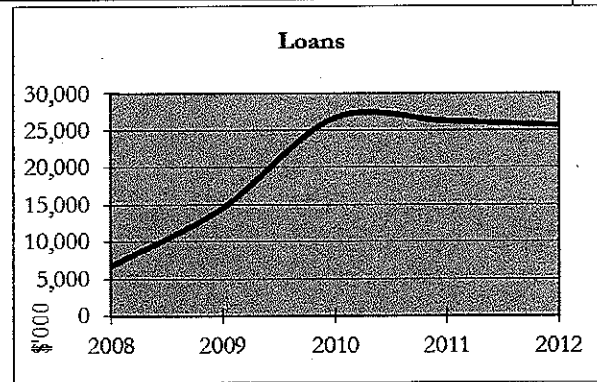
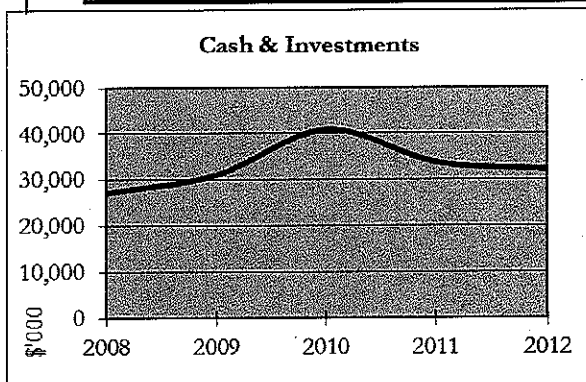
The major variations in the expenditure mix to the Group 11 average are employee costs and depreciation. Employee costs are lower because Nambucca Council has less expenditure on employees and due to the mix between capital works and repairs and maintenance. Depreciation has been impacted by the increase in depreciation following the revaluation of assets in recent years. The Group 11 average data relates to the 2010 year and it is expected that depreciation costs will share a higher proportion of the expenditure mix in future years. This is due to the increase in depreciation as a result of the revaluations of roads and related infrastructure.



At the time of this report the Division of Local Government has not published the 2011 comparative data which would have improved our benchmarking analysis.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2012. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2012	2011	Variance
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	374	885	-57.7%
Investments	31,870	32,886	-3.1%
Receivables	5,790	3,654	58.5%
Inventories	783	924	-15.3%
Other	429	354	21.2%
<b>TOTAL CURRENT ASSETS</b>	<b>39,246</b>	<b>38,703</b>	<b>1.4%</b>
<b>CURRENT LIABILITIES</b>			
Payables	3,090	2,071	49.2%
Borrowings	2,061	1,984	3.9%
Provisions	3,699	3,323	11.3%
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,850</b>	<b>7,378</b>	<b>20.0%</b>
<b>NET CURRENT ASSETS</b>	<b>30,396</b>	<b>31,325</b>	<b>-3.0%</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	-	-	0.0%
Inventories	21	41	-48.8%
Infrastructure, Property Plant & Equipment	301,980	309,105	-2.3%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>302,001</b>	<b>309,146</b>	<b>-2.3%</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	655	615	6.5%
Provisions	815	763	6.8%
Borrowings	23,633	24,260	-2.6%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>25,103</b>	<b>25,638</b>	<b>-2.1%</b>
<b>NET ASSETS</b>	<b>307,294</b>	<b>314,833</b>	<b>-2.4%</b>



Cash and investments have decreased from \$33.8m to \$32.2m as at 30 June 2012. This is due to expenditure on infrastructure, property, plant and equipment and repayment of borrowings.

The total borrowings decreased by \$0.5m to \$25.7m due to scheduled repayments.

The decrease in infrastructure, property, plant and equipment of \$7.1m is due to a \$9.3m reduction in the value of the water and sewer networks as a result of the revaluations during the year and

depreciation of \$9.3m. These decreases were partially offset by asset additions of \$11.4m.

**NET CURRENT ASSETS**

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose. The following table discloses unrestricted net current assets by function:

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	13,285	9,471	1,086	15,404	39,246
Current Liabilities	112	1,628	-	7,110	8,850
<b>Net Current Assets</b>	<b>13,173</b>	<b>7,843</b>	<b>1,086</b>	<b>8,294</b>	<b>30,396</b>
Plus: Employee Entitlements Payable >12mths	-	-	-	2,453	2,453
<b>Total Funds before Restrictions</b>	<b>13,173</b>	<b>7,843</b>	<b>1,086</b>	<b>10,747</b>	<b>32,849</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Developer Contributions	3,117	2,101	-	1,361	6,579
Unexpended Loans	761	2,583	-	553	3,897
Security Deposits	-	-	-	655	655
Unexpended Grants	-	-	-	2,784	2,784
	3,878	4,684	-	5,353	13,915
<b>NET FUNDS AVAILABLE</b>	<b>9,295</b>	<b>3,159</b>	<b>1,086</b>	<b>5,394</b>	<b>18,934</b>
<b>LESS Internal Restrictions</b>	-	-	-	4,030	4,030
<b>Net Funds After All Restrictions</b>	<b>9,295</b>	<b>3,159</b>	<b>1,086</b>	<b>1,364</b>	<b>14,904</b>

<b>INTERNAL RESTRICTIONS</b>	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Council Building Reserve	195	9	15	189
Election	65	32	-	97
Employee Entitlements	1,539	350	258	1,631
Environmental rate unallocated	452	-	23	429
Expenditure savings re-allocated	112	-	112	-
Land Development	303	41	-	344
Office Equipment	186	25	41	170
Plant Replacement	288	-	-	288
Property Self Insurance	-	-	-	-
Public Road/Reserves Sales	80	11	40	51
Stormwater Management	577	-	424	153
Swimming Pool	75	-	37	38
Waste Management	375	43	59	359
Other	79	187	6	260
	4,351	698	1,019	4,030

After Funding both external and internal restrictions Council’s general fund has unrestricted funds of \$1.4m (2011: \$0.7m) which is considered adequate to cover working capital requirements.

Council has set aside \$1.6m to fund the employee leave entitlements provision. This amount represents 43.5% of the total liability compared with 42.7% set aside in the previous year and is considered adequate given the existing staff levels and age profiles.

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2012	2011	2010	2009	2008
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.02	2.3	3.93	2.12	1.73
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	12.2%	13.8%	6.2%	5.7%	5.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	42.0%	39.5%	38.0%	42.3%	54.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.8%	6.2%	5.8%	5.8%	6.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.71	0.84	0.76	0.60	0.61

*Unrestricted Ratio*

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months.. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.02 as at 30 June 2012 indicates that there is \$2.02 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 2.02 compares to the average of 3.84 (2010 data) for category 11 Councils and is lower than the State average of 2.71 (2010 data). However, a ratio of greater than 2 is considered reasonable.

*Debt service ratio*

The debt service ratio of 12.2% indicates the percentage of Council's operating revenues are being utilised to fund debt servicing costs. This ratio is higher than the average of 3.47% for category 11 Councils and the State average of 3.97% (2010 data). This is in line with the prior year and reflects the borrowing for the sewer treatment works.

*Rate coverage ratio*

The rate coverage ratio shows that 42.0% of the councils revenue is derived from rates and annual charges. This compares to the category 11 Council average 34.28% (2010 data). The ratio shows councils dependence on non-rate income.

*Outstanding rate ratio*

The outstanding rate ratio of 5.8% compares favourably to the average of 8.26% for category 11

Councils but is slightly higher than the State average of 5.3% (2010 data). This ratio is an indicator of Councils activity to collect outstanding rate revenues.

*Asset renewals ratio*

The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2012 Council spent \$0.71 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.94 and the state average of \$0.84 (2010 data).

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council's overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with "wear and tear" and Council should seek to improve asset condition.

Overall the financial indicators show that Council's financial standing is satisfactory in the short to medium term. Infrastructure management will need to be a continued focus for Council in the long term and reflected in its Integrated Planning and Reporting.

Changes in cash and investments reflected in the Balance Sheet is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual	Actual	Variance
	2012	2011	
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	32,994	35,537	-7.2%
Proceeds from Assets Sales	93	459	-79.7%
Repayment from Deferred Debtors	0	172	0.0%
Proceeds from sale of investments	15,122	8,491	78.1%
Proceeds from Borrowings	925	975	-5.1%
<b>TOTAL RECEIPTS</b>	<b>49,134</b>	<b>45,634</b>	<b>7.7%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	23,822	24,581	-3.1%
Purchase of Assets	9,917	18,208	-45.5%
Purchase of investments	13,922	-	0.0%
Repayment of Loans	1,984	1,980	0.2%
<b>TOTAL PAYMENTS</b>	<b>49,645</b>	<b>44,769</b>	<b>10.9%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>(511)</b>	<b>865</b>	<b>-159.1%</b>
Cash and cash equivalents	374	885	-57.7%
Investments	31,870	32,886	-3.1%
<b>Total Cash &amp; Investments on Hand</b>	<b>32,244</b>	<b>33,771</b>	<b>-4.5%</b>

Total cash and investments decreased from \$33.8m in 2011 to \$32.2m mainly due to expenditure on assets and repayment of loans.

Cash outflows for purchase of assets included road and bridge construction totalling \$3.1m. This compares with the \$4.9m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a "satisfactory standard" is \$22.7m.

Other asset additions during the year were \$3.3m capital work in progress and water, stormwater and sewer infrastructure of \$2.9m.

## **SPECIAL PURPOSE FINANCIAL STATEMENTS**

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water and Sewer functions as Category 1 Business Units.

### **WATER SUPPLY FUNCTION**

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$651,000 after allowing for depreciation of \$990,000.

The Net Current Asset position records a positive balance of \$13,173,000 (2011: \$12,730,000) which provides a strong working capital balance to meet medium term funding requirements and assist with the off-stream water storage project if Council is successful with grant funding support.

### **SEWERAGE SERVICES**

The Special Purpose Financial Statements disclose that the Sewerage Services function recorded an operating deficit (before capital funding) of \$834,000 after allowing for depreciation of \$976,000.

The current level of Net Current Assets of \$7,843,000 (2011: \$8,922,000) is very strong and is considered more than adequate to meet medium term funding requirements especially since the fund has contributed to the sewer treatment works construction which was completed in the 2012 year.

### ***Reporting obligations under the Local Government Act***

It is pleasing to report that Council's systems and records have been well maintained during the year and the audited financial statements will be submitted to the Division of Local Government within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

Matters of a technical nature have been documented in a management letter to the General Manager. We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.



Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit if the Council so determines.

Yours faithfully

**FORSYTHS BUSINESS SERVICES PTY LTD**



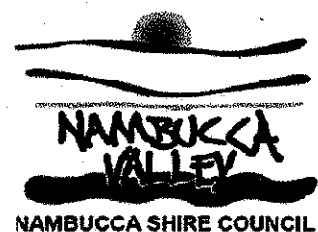
Geoffrey W Allen  
Principal

# Nambucca Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2012

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*"Nambucca Valley ~ Living at its best"*



# Nambucca Shire Council

## Special Schedules

for the financial year ended 30 June 2012

Contents	Page
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<sup>1</sup> Special Purpose Schedules are not audited.

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### **Background**

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water,
  - the Department of Environment, Climate Change and Water, and
  - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.



## Nambucca Shire Council

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>481</b>	-	-	<b>(481)</b>
<b>Administration</b>	<b>340</b>	<b>295</b>	<b>6</b>	<b>(39)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	977	342	51	(584)
Beach Control	114	9	3	(102)
Animal Control	173	19	-	(154)
<b>Total Public Order &amp; Safety</b>	<b>1,264</b>	<b>370</b>	<b>54</b>	<b>(840)</b>
<b>Health</b>	<b>282</b>	<b>176</b>	-	<b>(106)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	280	162	-	(118)
Other Environmental Protection	587	330	-	(257)
Solid Waste Management	3,957	4,137	-	180
Street Cleaning	318	-	-	(318)
Drainage	-	138	-	138
<b>Total Environment</b>	<b>5,142</b>	<b>4,767</b>	-	<b>(375)</b>
<b>Community Services and Education</b>				
Social Protection (Welfare)	290	436	-	146
Aged Persons and Disabled	92	23	-	(69)
Children's Services	118	99	-	(19)
<b>Total Community Services &amp; Education</b>	<b>500</b>	<b>558</b>	-	<b>58</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	81	49	-	(32)
Public Conveniences	246	20	-	(226)
Street Lighting	-	19	-	19
Town Planning	674	140	-	(534)
<b>Total Housing and Community Amenities</b>	<b>1,001</b>	<b>228</b>	-	<b>(773)</b>
<b>Water Supplies</b>	<b>2,902</b>	<b>3,270</b>	<b>396</b>	<b>764</b>
<b>Sewerage Services</b>	<b>4,360</b>	<b>2,756</b>	<b>1,611</b>	<b>7</b>

## Nambucca Shire Council

**Special Schedule No. 1 - Net Cost of Services (continued)**  
 for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	792	138	-	(654)
Museums	172	20	-	(152)
Community Centres and Halls	458	84	4	(370)
Other Cultural Services	130	9	-	(121)
Swimming Pools	543	12	-	(531)
Parks & Gardens (Lakes)	1,284	151	-	(1,133)
Other Sport and Recreation	1,400	2	107	(1,291)
<b>Total Recreation and Culture</b>	<b>4,779</b>	<b>416</b>	<b>111</b>	<b>(4,252)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	348	60	-	(288)
<b>Total Mining, Manufacturing and Const.</b>	<b>348</b>	<b>60</b>	-	<b>(288)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	1,439	-	-	(1,439)
Urban Roads - Regional	89	-	-	(89)
Sealed Rural Roads (SRR) - Local	3,782	3,136	1,902	1,256
Sealed Rural Roads (SRR) - Regional	-	395	99	494
Unsealed Rural Roads (URR) - Local	1,196	-	-	(1,196)
Unsealed Rural Roads (URR) - Regional	2,680	-	-	(2,680)
Bridges on UR - Local	1,218	-	-	(1,218)
Bridges on SRR - Local	-	3	4	7
Bridges on Regional Roads	-	-	10	10
Parking Areas	27	12	-	(15)
Footpaths	132	-	-	(132)
Other Transport & Communication	525	93	74	(358)
<b>Total Transport and Communication</b>	<b>11,088</b>	<b>3,639</b>	<b>2,089</b>	<b>(5,360)</b>
<b>Economic Affairs</b>				
Other Economic Affairs	450	136	-	(314)
<b>Total Economic Affairs</b>	<b>450</b>	<b>136</b>	-	<b>(314)</b>
<b>Totals – Functions</b>	<b>32,937</b>	<b>16,671</b>	<b>4,267</b>	<b>(11,999)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>13,596</b>		<b>13,596</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>32,937</b>	<b>30,267</b>	<b>4,267</b>	<b>1,597</b>

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

## Nambucca Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)  
for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year			
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total	
<b>Loans (by Source)</b>												
Financial Institutions	682	16,639	17,321	925	682			1,228	759	16,805		17,564
Other	1,302	10,293	11,595		1,302			7	1,302	8,991		10,293
<b>Total Loans</b>	<b>1,984</b>	<b>26,932</b>	<b>28,916</b>	<b>925</b>	<b>1,984</b>	-	-	<b>1,235</b>	<b>2,061</b>	<b>25,796</b>		<b>27,857</b>
<b>Total Debt</b>	<b>1,984</b>	<b>26,932</b>	<b>28,916</b>	<b>925</b>	<b>1,984</b>	-	-	<b>1,235</b>	<b>2,061</b>	<b>25,796</b>		<b>27,857</b>

Notes: Excludes (i) Internal Loans &amp; (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the face value of debt obligations, rather than fair value (which are reported in the GPFS).

## Nambucca Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]  
for the financial year ended 30 June 2012

\$'000

## Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
Domestic Waste Management	360	43	45
Other Waste Management	90	11	11
Bridges	615	22	503
<b>Totals</b>	<b>1,065</b>	<b>76</b>	<b>559</b>

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

## Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Domestic Waste Mgm	Water	10/07/02	10/01/03	10	10/07/12	5.55%	360	43	45
Other Waste Mgmt	Water	10/07/02	10/01/03	10	10/07/12	5.55%	90	11	11
Bridges	Sewer	30/06/06	30/06/06	20	30/06/26	6.50%	615	22	503
<b>Totals</b>							<b>1,065</b>	<b>76</b>	<b>559</b>

## Nambucca Shire Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	417	398
b. Engineering and Supervision	231	239
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	279	246
<b>- Reservoirs</b>		
e. Operation expenses	-	-
f. Maintenance expenses	51	62
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	222	208
i. Maintenance expenses	49	74
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	108	90
<b>- Other</b>		
m. Operation expenses	404	437
n. Maintenance expenses	31	24
o. Purchase of water	-	-
<b>3. Depreciation expenses</b>		
a. System assets	974	952
b. Plant and equipment	16	25
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	254	257
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	14	14
<b>5. Total expenses</b>	<b>3,050</b>	<b>3,026</b>

## Nambucca Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	527	359
b. Usage charges	1,506	1,302
<b>7. Non-residential charges</b>		
a. Access (including rates)	127	44
b. Usage charges	742	651
<b>8. Extra charges</b>	10	3
<b>9. Interest income</b>	573	647
<b>10. Other income</b>	198	201
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	1,000
b. Grants for pensioner rebates	86	81
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	313	134
b. Developer provided assets	-	-
c. Other contributions	82	84
<b>13. Total income</b>	<b>4,164</b>	<b>4,506</b>
<b>14. Gain (or loss) on disposal of assets</b>	-	14
<b>15. Operating Result</b>	<b>1,114</b>	<b>1,494</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	1,114	494

## Nambucca Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	86	11
c. Renewals	202	421
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	-	48
b. Advances	48	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<u>336</u>	<u>480</u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<u>-</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	5,459	5,343
b. Residential (unoccupied, ie. vacant lot)	440	566
c. Non-residential (occupied)	645	612
d. Non-residential (unoccupied, ie. vacant lot)	74	81
<b>25. Number of ETs for which developer charges were received</b>	125 ET	32 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 150,214	\$ 140,700

Nambucca Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies  
for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>

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

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.



## Nambucca Shire Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.

as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	3,117	-	3,117
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	761	-	761
e. Sinking fund	-	-	-
f. Other	8,221	-	8,221
<b>31. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	958	-	958
c. Other (including User Charges)	185	-	185
<b>32. Inventories</b>	43	-	43
<b>33. Property, plant and equipment</b>			
a. System assets	-	44,319	44,319
b. Plant and equipment	-	-	-
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<u>13,285</u>	<u>44,319</u>	<u>57,604</u>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	58	-	58
<b>38. Borrowings</b>			
a. Loans	54	3,574	3,628
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<u>112</u>	<u>3,574</u>	<u>3,686</u>
<b>41. NET ASSETS COMMITTED</b>	<u>13,173</u>	<u>40,745</u>	<u>53,918</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			31,790
<b>43. Asset revaluation reserve</b>			22,128
<b>44. TOTAL EQUITY</b>			<u>53,918</u>
<b>Note to system assets:</b>			
<b>45. Current replacement cost of system assets</b>			72,105
<b>46. Accumulated current cost depreciation of system assets</b>			(27,786)
<b>47. Written down current cost of system assets</b>			<u>44,319</u>

## Nambucca Shire Council

## Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	687	619
b. Engineering and Supervision	265	198
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	-
b. Maintenance expenses	151	94
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	172	178
e. Maintenance expenses	272	253
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	142	99
i. Effluent Management	10	1
j. Biosolids Management	173	19
k. Maintenance expenses	499	449
<b>- Other</b>		
l. Operation expenses	256	278
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	957	878
b. Plant and equipment	19	25
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	834	895
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	16	16
<b>5. Total expenses</b>	<b>4,453</b>	<b>4,002</b>

## Nambucca Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	2,024	1,856
<b>7. Non-residential charges</b>		
a. Access (including rates)	325	303
b. Usage charges	906	728
<b>8. Trade Waste Charges</b>		
a. Annual Fees	20	20
b. Usage charges	79	65
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	384	840
<b>11. Other income</b>	90	93
<b>12. Grants</b>		
a. Grants for acquisition of assets	1,175	2,173
b. Grants for pensioner rebates	75	73
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	366	310
b. Developer provided assets	-	-
c. Other contributions	70	291
<b>14. Total income</b>	<u>5,514</u>	<u>6,752</u>
<b>15. Gain (or loss) on disposal of assets</b>	(12)	-
<b>16. Operating Result</b>	<u>1,049</u>	<u>2,750</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	(126)	577

## Nambucca Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	158	347
c. Renewals	1,837	1,896
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	1,544	1,525
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<u>3,539</u>	<u>3,768</u>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<u>-</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	4,820	4,814
b. Residential (unoccupied, ie. vacant lot)	359	480
c. Non-residential (occupied)	612	575
d. Non-residential (unoccupied, ie. vacant lot)	82	73
<b>26. Number of ETs for which developer charges were received</b>	127 ET	77 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 135,867	\$ 134,548

Nambucca Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a. If No, please report if council has removed <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Nambucca Shire Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	2,101	-	2,101
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	2,583	-	2,583
e. Sinking fund	-	-	-
f. Other	4,458	-	4,458
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	306	-	306
c. Other (including User Charges)	23	480	503
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	72,115	72,115
b. Plant and equipment	-	-	-
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<u>9,471</u>	<u>72,595</u>	<u>82,066</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	66	-	66
<b>39. Borrowings</b>			
a. Loans	1,562	11,040	12,602
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<u>1,628</u>	<u>11,040</u>	<u>12,668</u>
<b>42. NET ASSETS COMMITTED</b>	<u>7,843</u>	<u>61,555</u>	<u>69,398</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			52,740
<b>44. Asset revaluation reserve</b>			16,658
<b>45. TOTAL EQUITY</b>			<u>69,398</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost of system assets</b>			99,578
<b>47. Accumulated current cost depreciation of system assets</b>			(27,463)
<b>48. Written down current cost of system assets</b>			<u>72,115</u>

# Nambucca Shire Council

## Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2012

### Administration <sup>(1)</sup>

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

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

### Engineering and supervision <sup>(1)</sup>

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

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

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

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

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

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

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

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and not in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Nambucca Shire Council

Special Schedule No. 7 - Condition of Public Works  
as at 30 June 2012

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition <sup>#</sup>	Estimated cost to bring up to a satisfactory condition / standard <sup>(1)</sup>	Required Annual Maintenance	Current Annual Maintenance	
		per Note 1	per Note 4									
<b>Buildings</b>	Council Offices	1.00%	77		3,173	1,199	1,974	3	650	60	62	
	Council Works Depot	1.00%	19		929	566	363	4		25	61	
	Council Halls	1.00%	254		13,173	8,007	5,166	3	2,800	280	134	
	Bushfire/SES	1.00%	55		3,108	1,243	1,865	3	20	10	10	
	Museum	1.00%	56		2,488	1,637	851	4	990	50	40	
	Library	1.00%	94		3,700	2,100	1,600	3	740	70	84	
	Childcare Centre(s)	2.00%	19		1,230	751	479	3	15	5	8	
	Amenities/Toilets	2.00%	201		9,531	5,660	3,871	3	1,700	250	205	
	Swimming Pool	2.00%	45		2,258	553	1,705	3	800	60	40	
	Showground/Saleyards	2.00%	37		2,277	1,156	1,121	4	500	35	11	
	Building Other	1.00%	55		3,775	1,294	2,481	3	700	40	5	
	<b>sub total</b>			<b>912</b>	<b>-</b>	<b>45,642</b>	<b>24,166</b>	<b>21,476</b>		<b>8,915</b>	<b>885</b>	<b>659</b>
	<b>Other Structures</b>	Assets not included in Buildings		296		16,040	6,311	9,729	2	-	160	50
<b>sub total</b>			<b>296</b>	<b>-</b>	<b>16,040</b>	<b>6,311</b>	<b>9,729</b>		<b>-</b>	<b>160</b>	<b>50</b>	
<b>Public Roads</b>	Sealed Roads	2.85%	3,895		110,946	55,468	55,478	3	13,000	900	1,439	
	Unsealed Roads	1.00%	123		13,438	5,507	7,931	3	900	900	1,034	
	Bridges - Concrete	1.25%	187		15,002	1,257	13,745	2	250	135	-	
	Bridges - Timber	3.33%	363		17,873	8,549	9,324	3	4,000	550	190	
	Footpaths	2.50%	107		4,644	2,397	2,247	2	1,070	43	19	
	Kerb and Gutter	1.25%	194		12,138	8,380	3,758	3	3,500	59	29	
	Land Under Roads				932		932					
	Other	2.00%	23		1,094	172	922					
	<b>sub total</b>			<b>4,892</b>	<b>-</b>	<b>176,067</b>	<b>81,730</b>	<b>94,337</b>		<b>22,720</b>	<b>1,687</b>	<b>2,711</b>

\$'000







## Nambucca Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual <sup>(1)</sup> 11/12	Forecast 12/13	Forecast 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16
<b>(i) OPERATING BUDGET</b>					
Income from continuing operations	34,534	46,220	35,013	34,371	32,492
Expenses from continuing operations	32,937	31,987	34,379	34,903	33,601
<b>Operating Result from Continuing Operations</b>	<b><u>1,597</u></b>	<b><u>14,233</u></b>	<b><u>634</u></b>	<b><u>(532)</u></b>	<b><u>(1,109)</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	5,281	26,849	10,599	399	1,119
Replacement/Refurbishment of Existing Assets	6,142	6,952	8,483	8,788	6,720
<b>Total Capital Budget</b>	<b><u>11,423</u></b>	<b><u>33,801</u></b>	<b><u>19,082</u></b>	<b><u>9,187</u></b>	<b><u>7,839</u></b>
<b>Funded by:</b>					
- Loans	984	7,585	6,965	1,993	1,642
- Asset sales					
- Reserves	3,736	5,061	3,158	858	1,390
- Grants/Contributions	4,967	18,622	5,255	2,314	2,174
- Recurrent revenue	1,736	2,533	3,704	4,022	2,633
- Other					
	<b><u>11,423</u></b>	<b><u>33,801</u></b>	<b><u>19,082</u></b>	<b><u>9,187</u></b>	<b><u>7,839</u></b>

**Notes:**

(1) From 11/12 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.

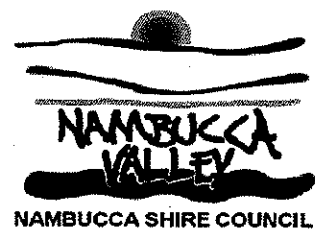
(4) Financial Projections should be in accordance with Council's Integrated Planning &amp; Reporting framework.

# Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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*"Nambucca Valley ~ Living at its best"*



# Nambucca Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents	Page
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### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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# Nambucca Shire Council

## Special Purpose Financial Statements for the financial year ended 30 June 2012

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

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

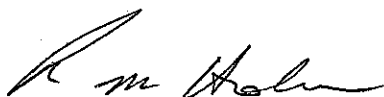
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 October 2012.



Rhonda Hoban  
MAYOR



John Ainsworth  
COUNCILLOR



Michael Coulter  
GENERAL MANAGER



Craig Doolan  
RESPONSIBLE ACCOUNTING OFFICER

## Nambucca Shire Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	654	403	432
User charges	2,248	1,953	1,888
Interest	583	650	540
Grants and contributions provided for non capital purposes	86	165	72
Profit from the sale of assets	-	14	-
Other income	197	201	156
<b>Total income from continuing operations</b>	<b>3,768</b>	<b>3,386</b>	<b>3,088</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,062	1,017	789
Borrowing costs	254	257	180
Materials and contracts	730	761	723
Depreciation and impairment	990	977	978
Calculated taxation equivalents	14	14	14
Debt guarantee fee (if applicable)	67	46	56
<b>Total expenses from continuing operations</b>	<b>3,117</b>	<b>3,072</b>	<b>2,740</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>651</b>	<b>314</b>	<b>348</b>
Grants and contributions provided for capital purposes	396	1,134	316
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,047</b>	<b>1,448</b>	<b>664</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,047</b>	<b>1,448</b>	<b>664</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(195)	(94)	(104)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>852</b>	<b>1,354</b>	<b>560</b>
plus Opening Retained Profits	30,676	29,182	28,462
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	14	14	14
- Debt guarantee fees	67	46	56
- Corporate taxation equivalent	195	94	104
less:			
- Tax Equivalent Dividend paid	(14)	(14)	(14)
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>31,790</b>	<b>30,676</b>	<b>29,182</b>
<b>Return on Capital %</b>	<b>2.0%</b>	<b>1.2%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>438</b>	<b>1,832</b>	<b>1,754</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	852	1,354	560
less: Capital grants and contributions (excluding developer contributions)	(81)	(1,000)	(166)
<b>Surplus for dividend calculation purposes</b>	<b>771</b>	<b>354</b>	<b>394</b>
<b>Potential Dividend calculated from surplus</b>	<b>385</b>	<b>177</b>	<b>197</b>

## Nambucca Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	2,448	2,244	2,155
User charges	906	728	525
Interest	384	840	3,780
Grants and contributions provided for non capital purposes	75	121	66
Profit from the sale of assets	-	-	2
Other income	90	93	81
<b>Total income from continuing operations</b>	<b>3,903</b>	<b>4,026</b>	<b>6,609</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,422	1,251	955
Borrowing costs	325	896	501
Materials and contracts	1,714	936	1,133
Depreciation and impairment	976	903	914
Loss on sale of assets	12	-	-
Calculated taxation equivalents	16	16	15
Debt guarantee fee (if applicable)	272	204	268
<b>Total expenses from continuing operations</b>	<b>4,737</b>	<b>4,206</b>	<b>3,786</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(834)</b>	<b>(180)</b>	<b>2,823</b>
Grants and contributions provided for capital purposes	1,611	2,726	1,521
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>777</b>	<b>2,546</b>	<b>4,344</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>777</b>	<b>2,546</b>	<b>4,344</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(847)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>777</b>	<b>2,546</b>	<b>3,497</b>
plus Opening Retained Profits	48,321	45,571	40,721
plus/less: Prior Period Adjustments	3,370	-	238
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	16	16	15
- Debt guarantee fees	272	204	268
- Corporate taxation equivalent	-	-	847
less:			
- Tax Equivalent Dividend paid	(16)	(16)	(15)
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>52,740</b>	<b>48,321</b>	<b>45,571</b>
<b>Return on Capital %</b>	<b>-0.7%</b>	<b>0.9%</b>	<b>5.0%</b>
<b>Subsidy from Council</b>	<b>2,694</b>	<b>3,331</b>	<b>42</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	777	2,546	3,497
less: Capital grants and contributions (excluding developer contributions)	(1,245)	(2,416)	(1,386)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>130</b>	<b>2,111</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>65</b>	<b>1,056</b>



## Nambucca Shire Council

## Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments	12,099	11,928
Receivables	1,143	854
Inventories	43	56
<b>Total Current Assets</b>	<b>13,285</b>	<b>12,838</b>
<b>Non-Current Assets</b>		
Receivables	-	57
Infrastructure, property, plant and equipment	44,319	46,117
<b>Total non-Current Assets</b>	<b>44,319</b>	<b>46,174</b>
<b>TOTAL ASSETS</b>	<b>57,604</b>	<b>59,012</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	58	58
Interest bearing liabilities	54	50
<b>Total Current Liabilities</b>	<b>112</b>	<b>108</b>
<b>Non-Current Liabilities</b>		
Interest bearing liabilities	3,574	3,628
<b>Total Non-Current Liabilities</b>	<b>3,574</b>	<b>3,628</b>
<b>TOTAL LIABILITIES</b>	<b>3,686</b>	<b>3,736</b>
<b>NET ASSETS</b>	<b>53,918</b>	<b>55,276</b>
<b>EQUITY</b>		
Retained earnings	31,790	30,676
Revaluation reserves	22,128	24,600
Council equity interest	53,918	55,276
<b>TOTAL EQUITY</b>	<b>53,918</b>	<b>55,276</b>

## Nambucca Shire Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments	9,142	10,254
Receivables	329	279
<b>Total Current Assets</b>	<b>9,471</b>	<b>10,533</b>
<b>Non-Current Assets</b>		
Receivables	480	503
Infrastructure, property, plant and equipment	72,115	77,681
<b>Total non-Current Assets</b>	<b>72,595</b>	<b>78,184</b>
<b>TOTAL ASSETS</b>	<b>82,066</b>	<b>88,717</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	66	67
Interest bearing liabilities	1,562	1,544
<b>Total Current Liabilities</b>	<b>1,628</b>	<b>1,611</b>
<b>Non-Current Liabilities</b>		
Interest bearing liabilities	11,040	12,093
<b>Total Non-Current Liabilities</b>	<b>11,040</b>	<b>12,093</b>
<b>TOTAL LIABILITIES</b>	<b>12,668</b>	<b>13,704</b>
<b>NET ASSETS</b>	<b>69,398</b>	<b>75,013</b>
<b>EQUITY</b>		
Retained earnings	52,740	48,321
Revaluation reserves	16,658	26,692
Council equity interest	69,398	75,013
<b>TOTAL EQUITY</b>	<b>69,398</b>	<b>75,013</b>

# Nambucca Shire Council

## Special Purpose Financial Statements for the financial year ended 30 June 2012

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8-10
2	Water Supply Business Best Practice Management disclosure requirements	11-12
3	Sewerage Business Best Practice Management disclosure requirements	13-15

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

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

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

##### b. Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

##### Category 2

(where gross operating turnover is less than \$2 million)

*Nil*

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2, and Note 3 are disclosed in whole dollars.

#### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

# Nambucca Shire Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

### Note 1. Significant Accounting Policies (continued)

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

#### Notional Rate Applied %

##### Corporate Income Tax Rate – 30%

Land Tax – The first \$396,000 of combined land values attracts 0%. From \$396,001 to \$2,421,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$678,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### Income Tax

An income tax equivalent has been applied on the profits of the business.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be

taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

#### Local Government Rates & Charges

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

#### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

# Nambucca Shire Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

### Note 1. Significant Accounting Policies (continued)

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

#### (iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

#### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 2. Water Supply Business  
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

**1. Calculation and Payment of Tax-Equivalents**

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	81,000
(ii) No of assessments multiplied by \$3/assessment	19,854
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	19,854
(iv) Amounts actually paid for Tax Equivalents	13,939

**2. Dividend from Surplus**

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	385,350
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	178,686
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	1,518,100

2012 Surplus	770,700	2011 Surplus	353,800	2010 Surplus	393,600
		2011 Dividend	-	2010 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	178,686
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 6 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
- Complying charges [Item 2(b) in Table 1]	YES
- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii) Sound Water Conservation and Demand Management implemented	YES
(iv) Sound Drought Management implemented	YES
(v) Complete Performance Reporting Form (by 15 September each year)	YES
(vi) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	3,591
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.08%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	44,319
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,792
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	288
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.83%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

**1. Calculation and Payment of Tax-Equivalents**

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	288,000
(ii) No of assessments multiplied by \$3/assessment	17,619
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	17,619
(iv) Amounts actually paid for Tax Equivalents	16,136

**2. Dividend from Surplus**

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	158,571
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	1,773,100

2012 Surplus	(468,000)	2011 Surplus	130,000	2010 Surplus	2,111,100
		2011 Dividend	-	2010 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	-
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 4 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges (a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,955
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	72,115
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,627
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,995
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.49%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	1,175

National Water Initiative (NWI) Financial Performance Indicators  
Water & Sewer (combined)

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	7,534
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.14%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,283
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.00%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

National Water Initiative (NWI) Financial Performance Indicators  
Water & Sewer (combined)

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-4.06%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		9
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	958
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	161

Notes: 1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.

2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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## **INDEPENDENT AUDIT REPORT** **Report on the special purpose financial statements**

**To Nambucca Shire Council**

### **SCOPE**

We have audited the special purpose financial statements of Nambucca Shire Council for the year ended 30<sup>th</sup> June 2012 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

#### ***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

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

## **INDEPENDENCE**

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

## **AUDIT OPINION**

In our opinion, the Special Purpose Financial Statements of the Nambucca Shire Council for the year ended 30<sup>th</sup> June 2012 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## **BASIS OF ACCOUNTING**

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

*Forsyths*

**Forsyths Business Services Pty Ltd**



**Geoffrey W Allen**  
Principal

25<sup>th</sup> October 2012  
92 Rusden Street Armidale