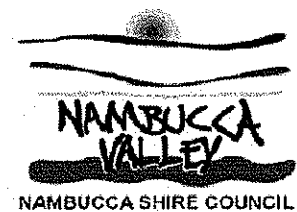


Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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:

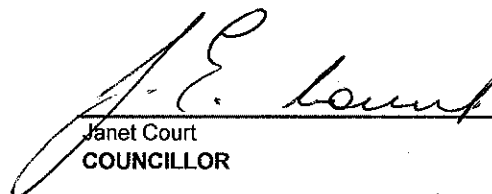
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 20 October 2011.



Rhonda Hoban
MAYOR



Janet Court
COUNCILLOR



Michael Coulter
GENERAL MANAGER



Craig Doolan
RESPONSIBLE ACCOUNTING OFFICER

Nambucca Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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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 20/10/11.
Council has the power to amend and reissue the financial statements.
-

Nambucca Shire Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾ 2011	\$ '000	Notes	Actual 2011	Actual 2010
Income from Continuing Operations				
<i>Revenue:</i>				
13,976	Rates & Annual Charges	3a	13,863	13,445
4,203	User Charges & Fees	3b	3,914	3,803
1,631	Interest & Investment Revenue	3c	2,473	5,456
375	Other Revenues	3d	437	421
4,658	Grants & Contributions provided for Operating Purposes	3e,f	7,850	8,240
3,492	Grants & Contributions provided for Capital Purposes	3e,f	6,572	4,006
<i>Other Income:</i>				
87	Net gains from the disposal of assets	5	-	-
<u>28,422</u>	Total Income from Continuing Operations		<u>35,109</u>	<u>35,371</u>
Expenses from Continuing Operations				
9,092	Employee Benefits & On-Costs	4a	9,007	8,145
1,434	Borrowing Costs	4b	1,710	1,088
6,126	Materials & Contracts	4c	8,639	9,155
7,659	Depreciation & Amortisation	4d	9,082	7,285
3,433	Other Expenses	4e	3,178	3,116
	Net Losses from the Disposal of Assets	5	612	2,065
<u>27,744</u>	Total Expenses from Continuing Operations		<u>32,228</u>	<u>30,854</u>
<u>678</u>	Operating Result from Continuing Operations		<u>2,881</u>	<u>4,517</u>
<u>678</u>	Net Operating Result for the Year		<u>2,881</u>	<u>4,517</u>
678	Net Operating Result attributable to Council		2,881	4,517
	Net Operating Result attributable to Minority Interests		-	-
<u>(2,814)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(3,691)</u>	<u>511</u>

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

Nambucca Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		2,881	4,517
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	17,712	18,455
Other Movements in Reserves (enter details here)	20b (ii)	(770)	(342)
Total Other Comprehensive Income for the year		16,942	18,113
Total Comprehensive Income for the Year		19,823	22,630
Total Comprehensive Income attributable to Council		19,823	22,630
Total Comprehensive Income attributable to Minority Interests		-	-

Nambucca Shire Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	885	20
Investments	6b	32,886	40,879
Receivables	7	3,654	3,808
Inventories	8	924	889
Other	8	354	354
Total Current Assets		38,703	45,950
Non-Current Assets			
Receivables	7	-	166
Inventories	8	41	41
Infrastructure, Property, Plant & Equipment	9	309,105	282,391
Total Non-Current Assets		309,146	282,598
TOTAL ASSETS		347,849	328,548
LIABILITIES			
Current Liabilities			
Payables	10	2,071	1,901
Borrowings	10	1,984	1,980
Provisions	10	3,323	3,273
Total Current Liabilities		7,378	7,154
Non-Current Liabilities			
Payables	10	615	497
Borrowings	10	24,260	24,716
Provisions	10	763	782
Total Non-Current Liabilities		25,638	25,995
TOTAL LIABILITIES		33,016	33,149
Net Assets		314,833	295,399
EQUITY			
Retained Earnings	20	215,901	213,409
Revaluation Reserves	20	98,932	81,990
Council Equity Interest		314,833	295,399
Total Equity		314,833	295,399

Nambucca Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (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)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		212,250	81,990	294,240	-	294,240
c. Net Operating Result for the Year		2,881	-	2,881	-	2,881
d. Other Comprehensive Income		-	-	-	-	-
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	17,712	17,712	-	17,712
Other Comprehensive Income		-	17,712	17,712	-	17,712
Total Comprehensive Income (c&d)		2,881	17,712	20,593	-	20,593
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		770	(770)	-	-	-
Equity - Balance at end of the reporting period		215,901	98,932	314,833	-	314,833

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		211,461	63,877	275,338	-	275,338
a. Correction of Prior Period Errors	20 (c)	(2,911)	-	(2,911)	-	(2,911)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		208,550	63,877	272,427	-	272,427
c. Net Operating Result for the Year		4,517	-	4,517	-	4,517
d. Other Comprehensive Income		-	-	-	-	-
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	18,455	18,455	-	18,455
Other Comprehensive Income		-	18,455	18,455	-	18,455
Total Comprehensive Income (c&d)		4,517	18,455	22,972	-	22,972
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		342	(342)	-	-	-
Equity - Balance at end of the reporting period		213,409	81,990	295,399	-	295,399

Nambucca Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
13,976	Rates & Annual Charges		13,773	13,402
4,203	User Charges & Fees		3,837	3,657
1,631	Investment & Interest Revenue Received		1,871	761
8,150	Grants & Contributions		13,013	11,639
375	Other		3,043	3,069
Payments:				
(8,757)	Employee Benefits & On-Costs		(8,949)	(7,996)
(6,126)	Materials & Contracts		(8,320)	(9,962)
(1,434)	Borrowing Costs		(1,114)	(917)
	Bonds & Deposits Refunded		(39)	-
(3,433)	Other		(6,159)	(4,852)
<u>8,585</u>	Net Cash provided (or used in) Operating Activities	11b	<u>10,956</u>	<u>8,801</u>
Cash Flows from Investing Activities				
Receipts:				
1,707	Sale of Investment Securities		28,370	24,552
327	Sale of Real Estate Assets		131	-
190	Sale of Infrastructure, Property, Plant & Equipment		328	43
	Deferred Debtors Receipts		172	7
Payments:				
	Purchase of Investment Securities		(19,879)	(36,407)
(11,475)	Purchase of Infrastructure, Property, Plant & Equipment		(18,197)	(14,045)
(20)	Purchase of Real Estate Assets		(11)	(116)
<u>(9,271)</u>	Net Cash provided (or used in) Investing Activities		<u>(9,086)</u>	<u>(25,966)</u>
Cash Flows from Financing Activities				
Receipts:				
2,410	Proceeds from Borrowings & Advances		975	15,998
Payments:				
(2,052)	Repayment of Borrowings & Advances		(1,980)	(630)
<u>358</u>	Net Cash Flow provided (used in) Financing Activities		<u>(1,005)</u>	<u>15,368</u>
(328)	Net Increase/(Decrease) in Cash & Cash Equivalents		865	(1,797)
1,817	plus: Cash & Cash Equivalents - beginning of year	11a	20	1,817
<u>1,489</u>	Cash & Cash Equivalents - end of the year	11a	<u>885</u>	<u>20</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	32,886	40,879
Total Cash, Cash Equivalents & Investments			<u>33,771</u>	<u>40,899</u>

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

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	885	20	3,008
Investments	6b	32,886	40,879	28,079
Receivables	7	3,654	3,808	3,388
Inventories	8	924	889	772
Other	8	354	354	306
Total Current Assets		38,703	45,950	35,553
Non-Current Assets				
Receivables	7	-	166	173
Inventories	8	41	41	23
Infrastructure, Property, Plant & Equipment	9	309,105	282,391	263,343
Total Non-Current Assets		309,146	282,598	263,539
TOTAL ASSETS		347,849	328,548	299,092
LIABILITIES				
Current Liabilities				
Payables	10	2,071	1,901	2,558
Borrowings	10	1,984	1,980	1,821
Provisions	10	3,323	3,273	3,049
Total Current Liabilities		7,378	7,154	7,428
Non-Current Liabilities				
Payables	10	615	497	540
Borrowings	10	24,260	24,716	13,923
Provisions	10	763	782	1,863
Total Non-Current Liabilities		25,638	25,995	16,326
TOTAL LIABILITIES		33,016	33,149	23,754
Net Assets		314,833	295,399	275,338
EQUITY				
Retained Earnings	20	215,901	213,409	211,461
Revaluation Reserves	20	98,932	81,990	63,877
Council Equity Interest		314,833	295,399	275,338
Total Equity		314,833	295,399	275,338

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these 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,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

(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) 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.

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(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.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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).

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

The Council controls 47 community management committees under section 355 of the Local Government Act, 1993.

The majority of these committees are in respect to public reserves, playing fields or public halls and do not involve material transactions.

Due to the large number of committees and the low number of transactions and materiality involved in the transactions, Council has elected not to consolidate the Committee revenues & expenses into these financial statements.

(ii) The Trust Fund

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

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

Council acknowledges that non disclosure of the assets and liabilities of the above is a departure from AAS19 – Interest in Joint Ventures.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), i.e. 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(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.

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".

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

(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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

The collectability 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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**
(Internal Valuation)
- **Operational Land** (Internal Valuation)
- **Buildings – Specialised/Non Specialised**
(Internal Valuation)
- **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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- 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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

(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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

The cost estimates are calculated annually during the life of the operation to reflect known developments, egg 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 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 or (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".

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.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Other 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.

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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 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 \$263 million at 30 June 2011.

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.

Define 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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).

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, i.e. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. 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 2011.

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(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 2011

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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance		-	-	525	511	-	(525)	(511)	-	-	-	(1)	(3)
Administration	82	485	195	4,236	388	2,294	(4,154)	97	(2,099)	8	26	12,174	12,378
Public Order & Safety	692	818	414	593	1,069	1,053	99	(251)	(639)	220	352	3,638	3,306
Health	114	184	176	99	302	287	15	(118)	(111)		114	13	21
Environment	254	4,442	4,445	1,023	5,134	4,994	(769)	(692)	(549)	222	-	11,683	-
Community Services & Education	161	341	296	309	560	435	(148)	(219)	(139)	53	296	1,087	899
Housing & Community Amenities	4,358	299	293	2,498	1,253	1,604	1,860	(954)	(1,311)	341	344	2,927	7,833
Water Supplies	4,100	4,387	2,653	2,586	2,863	2,556	1,514	1,524	97	1,081	106	58,240	55,175
Sewerage Services	4,323	7,071	4,168	2,956	3,890	3,416	1,367	3,181	752	2,246	1,385	87,459	84,326
Recreation & Culture	493	747	1,448	2,655	3,246	3,458	(2,162)	(2,499)	(2,010)	347	638	41,012	28,623
Mining, Manufacturing & Construction	40	78	36	475	348	372	(435)	(270)	(336)		-	-	-
Transport & Communication	2,405	4,064	5,647	9,452	12,231	9,709	(7,047)	(8,167)	(4,062)	619	1,967	124,350	130,772
Economic Affairs	105	131	342	337	433	676	(232)	(302)	(334)	21	39	5,267	5,218
Total Functions & Activities	17,127	23,047	20,113	27,744	32,228	30,854	(10,617)	(9,181)	(10,741)	5,158	5,267	347,849	328,548
General Purpose Income ¹	11,295	12,062	15,258				11,295	12,062	15,258	3,656	2,720		
Operating Result from Continuing Operations	28,422	35,109	35,371	27,744	32,228	30,854	678	2,881	4,517	8,814	7,987	347,849	328,548

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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, aerodromes, 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 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		5,782	5,519
Farmland		716	703
Mining		305	308
Business		891	847
Total Ordinary Rates		7,694	7,377
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		2,883	2,871
Water Supply Services		387	420
Sewerage Services		2,100	2,021
Drainage		136	134
Waste Management Services (non-domestic)		663	622
Total Annual Charges		6,169	6,068
TOTAL RATES & ANNUAL CHARGES		13,863	13,445
Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.			
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,941	1,869
Sewerage Services		818	609
Waste Management Services (non-domestic)		463	532
Saleyards		90	82
Other		-	1
Total User Charges		3,312	3,093
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Building Regulation		77	28
Planning & Building Regulation		204	172
Private Works - Section 67		25	162
Regulatory/ Statutory Fees		197	254
Section 149 Certificates (EPA Act)		34	5
Section 603 Certificates		22	28
Other		8	12
Total Fees & Charges - Statutory/Regulatory		567	661
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Cemeteries		35	49
Total Fees & Charges - Other		35	49
TOTAL USER CHARGES & FEES		3,914	3,803

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		147	91
- Interest earned on Investments (interest & coupon payment income)		1,828	1,054
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		498	945
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	3,366
TOTAL INTEREST & INVESTMENT REVENUE		<u>2,473</u>	<u>5,456</u>

Interest Revenue is attributable to:

Unrestricted Investments/Financial Assets:

Overdue Rates & Annual Charges	147	91
General Council Cash & Investments	1,181	4,785

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	100	104
- Section 64	312	262
Water Fund Operations	459	294
Sewerage Fund Operations	719	235
Domestic Waste Management operations	24	34

Restricted Investments/Funds - Internal:

Internally Restricted Assets	(469)	(349)
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Total Interest & Investment Revenue Recognised	<u>2,473</u>	<u>5,456</u>
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(d). Other Revenues

Parking Fines	36	51
Other Fines	6	8
Lease Rentals	160	162
Legal Fees Recovery - Rates & Charges (Extra Charges)	3	21
Administration	4	5
Bank Merchant Service Fees	11	13
Commissions & Agency Fees	-	10
Diesel Rebate	66	-
Environmental Services	5	9
Insurance Claim Recoveries	-	6
Insurance - Premium Rebates	113	52
Road Closure/Compulsory Acquisition	21	56
Sales - General	3	3
Septic Waste Disposal Fees	-	7
Special Meter Reading Fees	6	6
Other	3	12
TOTAL OTHER REVENUE	<u>437</u>	<u>421</u>

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,415	2,258	-	-
Financial Assistance - Local Roads Component	1,029	957	-	-
Pensioners' Rates Subsidies - General Component	212	230	-	-
Total General Purpose	3,656	3,445	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	81	70	-	-
- Sewerage	73	66	-	-
- Domestic Waste Management	101	95	-	-
Water Supplies	-	-	1,000	107
Sewerage Services	33	-	2,140	1,385
Bushfire & Emergency Services	220	352	-	-
Community Care	244	138	-	-
Community Centres	10	-	-	-
Economic Development	21	34	-	-
Employment & Training Programs	119	200	-	-
Environmental Protection	57	254	-	53
Heritage & Cultural	-	21	-	-
Library	73	151	-	-
Museums	9	9	-	-
Noxious Weeds	64	114	-	-
Public Halls	5	-	-	75
Recreation & Culture	87	40	143	342
Street Lighting	18	18	-	-
Transport (Roads to Recovery)	531	531	-	-
Transport (Other Roads & Bridges Funding)	-	-	70	461
Swimming Pools	-	-	20	-
Public Conveniences Disabled Access	32	-	-	-
Other	7	26	-	-
Total Specific Purpose	1,785	2,119	3,373	2,423
Total Grants	5,441	5,564	3,373	2,423
Grant Revenue is attributable to:				
- Commonwealth Funding	4,080	3,746	1,132	461
- State Funding	1,361	1,818	2,241	1,962
	5,441	5,564	3,373	2,423

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	273	199
S 64 - Water Supply Contributions	-	-	134	150
S 64 - Sewerage Service Contributions	-	-	310	135
Total Developer Contributions	17	-	717	484
Other Contributions:				
Bushfire Services	20	-	551	34
Dedications (other than by S94)	-	-	-	30
Grants Officer	-	17	-	-
Heritage/Cultural	6	-	-	3
Recreation & Culture	6	7	23	-
Roads & Bridges	-	-	3	230
RTA Contributions (Regional/Local, Block Grant)	2,140	2,603	195	448
Sewerage (excl. Section 64 contributions)	2	-	-	-
Subdivider dedications	-	-	1,710	291
Water Supplies (excl. Section 64 contributions)	83	-	-	60
Water & Sewer Asset M'nt	45	7	-	-
Contribution - Environmental Monitoring	50	-	-	-
Other	57	42	-	3
Total Other Contributions	2,409	2,676	2,482	1,099
Total Contributions	2,409	2,676	3,199	1,583
TOTAL GRANTS & CONTRIBUTIONS	7,850	8,240	6,572	4,006

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(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	8,148	8,289
add: Grants and contributions recognised in the current period which have not been spent:	3,330	2,288
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,164)	(2,429)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	1,166	(141)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	9,314	8,148
Comprising:		
- Specific Purpose Unexpended Grants	2,943	1,681
- Developer Contributions	6,371	6,467
	9,314	8,148

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,258	5,885
Travelling		359	110
Employee Leave Entitlements (ELE)		1,119	1,001
Superannuation - Defined Contribution Plans		384	373
Superannuation - Defined Benefit Plans		556	537
Workers' Compensation Insurance		358	337
Fringe Benefit Tax (FBT)		67	45
Training Costs (other than Salaries & Wages)		119	293
Other		118	47
Total Employee Costs		9,338	8,628
less: Capitalised Costs		(331)	(483)
TOTAL EMPLOYEE COSTS EXPENSED		9,007	8,145
Number of "Equivalent Full Time" Employees at year end		127	130
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		127	131
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,119	928
Total Interest Bearing Liability Costs		1,119	928
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,119	928
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	38	19
Interest applicable on Interest Free (& favourable) Loans to Council		553	141
Total Other Borrowing Costs		591	160
TOTAL BORROWING COSTS EXPENSED		1,710	1,088

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		2,161	2,577
Contractor & Consultancy Costs		1,465	3,140
- Beach Inspections		53	52
- Cleaning of Council Buildings		69	68
- Equipment Hire		1,003	613
- Estuary Management Plan Consultant		21	63
- Ordinance Officer		103	99
- Town Planning Consultant		57	28
- Waste Collection Contract		2,374	2,253
- Contractor & Consultancy Costs -Water Reservoirs - Capital Works		486	-
- Contractor & Consultancy Costs- Sewer Mains - Capital Works		463	-
- Contractor & Consultancy Costs - Computer System - "Civica - Autho		232	-
Auditors Remuneration			
- Audit Services: Council's Auditor		28	22
- Other Services: Council's Auditor (provide details)		26	-
Legal Expenses:			
- Legal Expenses: Planning & Development		59	126
- Legal Expenses: Other		39	114
Total Materials & Contracts		8,639	9,155
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		8,639	9,155
(d) Depreciation, Amortisation & Impairment			
Plant and Equipment	-	715	818
Office Equipment	-	107	107
Furniture & Fittings	-	14	14
Land Improvements (depreciable)	-	14	15
Buildings - Non Specialised	-	579	621
Buildings - Specialised	-	327	316
Other Structures	-	216	172
Infrastructure:			
- Roads, Bridges & Footpaths	-	4,920	3,613
- Stormwater Drainage	-	390	198
- Water Supply Network	-	946	934
- Sewerage Network	-	861	867
Asset Reinstatement Costs (Tips) 9 & 26	-	43	(275)
Total Depreciation & Impairment Costs	-	9,132	7,400
less: Capitalised Costs	-	(50)	(115)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	-	9,082	7,285

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		71	109
Bad & Doubtful Debts		175	2
Bank Charges		37	48
Contributions/Levies to Other Levels of Government		58	59
- Bushfire Fighting Fund		226	213
- Waste Levy		119	-
- Other Contributions/Levies		55	-
Councillor Expenses - Mayoral Fee		22	17
Councillor Expenses - Councillors' Fees		94	80
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		39	47
Donations, Contributions & Assistance to other organisations (Section 356)		302	403
- Library Committee		177	220
- SES Vehicle Expenses		22	17
Electricity & Heating		599	539
Insurance		513	624
Insurance Excess (PI/PL)		24	10
Office Expenses (including computer expenses)		220	323
Postage		25	39
Printing & Stationery		99	59
Street Lighting		195	179
Telephone & Communications		59	83
Valuation Fees		47	45
Total Other Expenses		3,178	3,116
TOTAL OTHER EXPENSES		3,178	3,116

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Plant & Equipment			
Proceeds from Disposal		328	43
less: Carrying Amount of P&E Assets Sold		(213)	(58)
Net Gain/(Loss) on Disposal		115	(15)
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(770)	(2,050)
Net Gain/(Loss) on Disposal		(770)	(2,050)
Real Estate Assets Held For Sale			
Proceeds from Disposal		131	-
less: Carrying Amount of Real Estate Assets Sold		(88)	-
Net Gain/(Loss) on Disposal		43	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(612)	(2,065)

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	2011	2011	2010	2010
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		885	-	20	-
Total Cash & Cash Equivalents		885	-	20	-
Investment Securities (Note 6b)					
- Managed Funds		4,032	-	5,177	-
- Long Term Deposits		26,481	-	33,440	-
- Equity Linked Notes		986	-	961	-
- CPPI's		431	-	410	-
- Tcorp		956	-	891	-
Total Investment Securities		32,886	-	40,879	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		33,771	-	40,899	-

¹ 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:

Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		885	-	20	-
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)			-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	6,405		7,439	
b. "Held to Maturity"	6(b-ii)	26,481		33,440	
c. "Loans & Receivables"	6(b-iii)			-	-
d. "Available for Sale"	6(b-iv)			-	-
Investments		32,886	-	40,879	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	7,439	-	11,468	-
Revaluations (through the Income Statement)	498	-	945	-
Additions	9,444	-	18,428	-
Disposals (sales & redemptions)	(10,976)	-	(23,402)	-
Balance at End of Year	6,405	-	7,439	-
Comprising:				
- Managed Funds	4,032	-	5,177	-
- Equity Linked Notes	986	-	961	-
- CPPIs	431	-	410	-
- Other Long Term Financial Assets	956	-	891	-
Total	6,405	-	7,439	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	33,440	-	16,611	-
Additions	10,435	-	20,979	-
Disposals (sales & redemptions)	(17,394)	-	(4,150)	-
Balance at End of Year	26,481	-	33,440	-
Comprising:				
- Long Term Deposits	26,481	-	33,440	-
Total	26,481	-	33,440	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil	-	-	-	-
Balance at End of Year	-	-	-	-
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil	-	-	-	-
Balance at End of Year	-	-	-	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	33,771	-	40,899	-
attributable to:				
External Restrictions (refer below)	28,706	-	35,212	-
Internal Restrictions (refer below)	4,351	-	4,000	-
Unrestricted	714	-	1,687	-
	<u>33,771</u>	<u>-</u>	<u>40,899</u>	<u>-</u>

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	1,332	975	(1,695)	612
Specific Purpose Unexpended Loans-Water (A)	775	-	(14)	761
Specific Purpose Unexpended Loans-Sewer (A)	11,803	-	(7,867)	3,936
Security Deposits	739	-	(40)	699
Prepaid Private Works	52	-	-	52
External Restrictions - Included in Liabilities	14,701	975	(9,616)	6,060

External Restrictions - Other

Developer Contributions - General (D)	1,621	805	(1,019)	1,407
Developer Contributions - Water Fund (D)	2,796	324	-	3,120
Developer Contributions - Sewer Fund (D)	2,050	-	(206)	1,844
Specific Purpose Unexpended Grants (F)	1,681	3,192	(1,930)	2,943
Water Supplies (G)	6,841	1,206	-	8,047
Sewerage Services (G)	4,838	-	-	4,474
Domestic Waste Management (G)	684	175	(48)	811
External Restrictions - Other	20,511	5,702	(3,203)	22,646
Total External Restrictions	35,212	6,677	(12,819)	28,706

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	198	90		288
Employees Leave Entitlement	1,435	375	(271)	1,539
Council Chambers Upkeep	66			66
Election	33	32		65
Environment Rate Unallocated	369	83		452
Expenditure Savings Re-allocated	323	112	(323)	112
Land Development	266	37		303
Lawn Cemetery	18		(6)	12
Office Equipment	161	25		186
On Site Sewer Management	13			13
Other Contributions	6	42		48
Property Self Insurance	109			109
Public Road/Reserve Sales	80			80
Saleyards Upkeep	26	5		31
Stormwater Management	450	127		577
Swimming Pool	75	15	(15)	75
Tourist Centre Upkeep	20			20
Waste Management	352	44	(21)	375
Total Internal Restrictions	4,000	987	(636)	4,351
TOTAL RESTRICTIONS	39,212	7,664	(13,455)	33,057

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority 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 RTA 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 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		827	-	736	-
Interest & Extra Charges		106	-	111	-
User Charges & Fees		1,136	-	1,059	-
Accrued Revenues					
- Interest on Investments		584	-	475	-
Deferred Debtors		-	-	6	166
Government Grants & Subsidies		415	-	1,035	-
Other Debtors - General		327	-	384	-
Other Debtors - GST Debtor		227	-	-	-
Other Debtors		53	-	22	-
Total		3,675	-	3,828	166
less: Provision for Impairment					
Rates & Annual Charges		(19)	-	(18)	-
User Charges & Fees		(2)	-	(2)	-
Total Provision for Impairment - Receivables		(21)	-	(20)	-
TOTAL NET RECEIVABLES		3,654	-	3,808	166
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		758	-	783	-
- Other		153	-	204	-
Sewerage Services					
- Rates & Availability Charges		257	-	225	-
- Other		525	-	545	-
Domestic Waste Management		341	-	209	-
Total External Restrictions		2,034	-	1,966	-
Internally Restricted Receivables					
Unrestricted Receivables		1,620	-	1,842	166
TOTAL NET RECEIVABLES		3,654	-	3,808	166

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 9.00% (2010 - 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 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		211	41	288	41
Stores & Materials		713	-	601	-
Total Inventories		924	41	889	41
Other Assets					
Prepayments		354	-	354	-
Total Other Assets		354	-	354	-
TOTAL INVENTORIES / OTHER ASSETS		1,278	41	1,243	41
Externally Restricted Assets					
Water					
Stores & Materials		56	-	58	-
Total Water		56	-	58	-
Sewerage					
Nil		-	-	-	-
Total Sewerage		-	-	-	-
Domestic Waste Management					
Nil		-	-	-	-
Total Domestic Waste Management		-	-	-	-
Other					
Nil		-	-	-	-
Total Other		-	-	-	-
Total Externally Restricted Assets		56	-	58	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,222	41	1,185	41
TOTAL INVENTORIES & OTHER ASSETS		1,278	41	1,243	41

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets (continued)

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	158	21	235	23
Industrial/Commercial	53	20	53	18
Total Real Estate for Resale	211	41	288	41
(Valued at the lower of cost and net realisable value)				
Represented by:				
Development Costs	211	41	288	41
Total Costs	211	41	288	41
less: Provision for Under Recovery			-	-
Total Real Estate for Resale	211	41	288	41
Movements:				
Real Estate assets at beginning of the year	288	41	190	23
- Purchases and other costs	11	-	98	18
- WDV of Sales (exp)	(88)	-	-	-
Total Real Estate for Resale	211	41	288	41

(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;

	2011	2010
Real Estate for Resale	21	23
	21	23

(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 2011

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2010				Asset Movements during the Reporting Period						as at 30/6/2011		
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value
\$ '000													
Capital Work in Progress	13,616	-	4	13,612	11,095	(1)		(2,549)		22,161	-	4	22,157
Plant & Equipment	-	9,867	6,689	3,178	1,461	(213)	(715)			-	10,267	6,556	3,711
Office Equipment	-	1,218	863	365	118		(107)			-	1,160	784	376
Furniture & Fittings	-	377	318	59	36		(14)			-	413	332	81
Land:													
- Operational Land	-	9,802	-	9,802				(267)		-	9,535	-	9,535
- Community Land	5,809	-	-	5,809				267	11,136	-	17,212	-	17,212
Land Improvements - depreciable	1,091	-	458	633	86		(14)	95	15	-	1,199	384	815
Buildings - Non Specialised	-	29,302	15,181	14,121	174		(579)	63		-	29,539	15,760	13,779
Buildings - Specialised	-	14,787	7,325	7,462	391	(55)	(327)	912		-	15,951	7,568	8,383
Other Structures	8,612	-	2,518	6,094	287		(216)	26	3,422	-	15,608	6,015	9,593
Infrastructure:													
- Roads, Bridges, Footpaths	-	169,199	73,197	96,002	3,656	(714)	(4,920)	64		-	170,925	76,837	94,088
- Bulk Earthworks (non-depreciable)	-	18,181	-	18,181						-	18,181	-	18,181
- Stormwater Drainage	-	24,529	15,755	8,774	282		(390)	209		-	25,020	16,145	8,875
- Water Supply Network	-	72,083	32,353	39,730	432		(946)		1,271	-	74,822	34,335	40,487
- Sewerage Network	-	83,797	26,028	57,769	2,243		(861)	139	1,853	-	88,865	27,722	61,143
Other Assets:													
- Heritage Collections	499	-	-	499				(125)	16	-	520	130	390
- Other	16	-	15	1				7	(1)	-	13	6	7
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)													
- Tip Asset	600	-	300	300	35		(43)			635	-	343	292
TOTAL INFRASTRUCTURE													
PROPERTY PLANT & EQUIP.	30,243	433,142	180,994	282,391	20,276	(963)	(9,132)	(1,159)	17,712	22,796	479,230	192,921	309,105

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value
Water Supply								
WIP	4,658		4	4,654	4,153	-	4	4,149
Plant & Equipment		257	150	107	244	-	136	108
Office Equipment		19	19	-	19	-	19	-
Furniture & Fittings		2	2	-	2	-	2	-
Land								
- Council Owned (Freehold)		699		699	-	592	-	592
Buildings		279	113	166	-	270	109	161
Other Structures		5	1	4	4	-	1	3
Infrastructure		74,822	34,335	40,487	-	72,084	32,353	39,731
Total Water Supply	4,658	76,083	34,624	46,117	4,422	72,946	32,624	44,744
Sewerage Services								
WIP	14,962			14,962	6,301	-	-	6,301
Plant & Equipment		472	286	186	415	-	254	161
Office Equipment		7	7	-	7	-	7	-
Furniture & Fittings		7	7	-	7	-	7	-
Land								
- Council Owned (Freehold)		1,031		1,031	-	1,393	-	1,393
- Council Controlled		61		61	-	78	-	78
Buildings		476	178	298	-	476	171	305
Infrastructure		88,865	27,722	61,143	-	83,796	26,028	57,768
Total Sewerage Services	14,962	90,919	28,200	77,681	6,730	85,743	26,467	66,006
TOTAL RESTRICTED I,PP&E	19,620	167,002	62,824	123,798	11,152	158,689	59,091	110,750

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

\$ '000	Notes	Actual 2011	Actual 2010
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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 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,621	-	1,190	-
Payments Received In Advance		58	-	58	-
Accrued Expenses:					
- Borrowings		208	-	203	-
- Salaries & Wages		65	-	-	-
- Other Expenditure Accruals		19	-	20	-
Security Bonds, Deposits & Retentions		84	615	241	497
Government Departments		7	-	8	-
Overpaid Rates		-	-	109	-
Other		9	-	72	-
Total Payables		2,071	615	1,901	497
Borrowings					
Loans - Secured ¹		1,984	24,260	1,980	24,716
Total Borrowings		1,984	24,260	1,980	24,716
Provisions					
Employee Benefits;					
Annual Leave		719	-	718	-
Sick Leave		881	-	904	-
Long Service Leave		1,606	40	1,519	97
Other Leave		117	-	132	-
Sub Total - Aggregate Employee Benefits		3,323	40	3,273	97
Asset Remediation/Restoration (Future Works) ²⁶		-	723	-	685
Total Provisions		3,323	763	3,273	782
Total Payables, Borrowings & Provisions		7,378	25,638	7,154	25,995

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	108	3,628	118	3,679
Sewer	1,611	12,093	1,595	13,084
Other	-	-	791	-
Liabilities relating to externally restricted assets	1,719	15,721	2,504	16,763
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	1,719	15,721	2,504	16,763

¹ Loans are secured over the General Rating Income of Council

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

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	2011	2010
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions - Employees Benefits	2,234	2,439
	<u>2,234</u>	<u>2,439</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2010			2011		Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	718	555	(554)	-	-	719
Sick Leave	904	298	(321)	-	-	881
Long Service Leave	1,616	257	(227)	-	-	1,646
Other Leave	132	(15)	-	-	-	117
Asset Remediation	685	-	-	38	-	723
TOTAL	<u>4,055</u>	<u>1,095</u>	<u>(1,102)</u>	<u>38</u>	<u>-</u>	<u>4,086</u>

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.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	885	20
BALANCE as per the STATEMENT of CASH FLOWS		885	20
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		2,881	4,517
Adjust for non cash items:			
Depreciation & Amortisation		9,082	7,285
Net Losses/(Gains) on Disposal of Assets		612	2,065
Non Cash Capital Grants and Contributions		(2,029)	(741)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(498)	(945)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	(3,366)
- Other (Revaluation of Tip Provision - refer Note 9)		-	1,889
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		553	141
Unwinding of Discount Rates on Reinstatement Provisions		38	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		147	(421)
Increase/(Decrease) in Provision for Doubtful Debts		1	1
Decrease/(Increase) in Inventories		(112)	(19)
Decrease/(Increase) in Other Assets		-	(48)
Increase/(Decrease) in Payables		431	(788)
Increase/(Decrease) in accrued Interest Payable		5	30
Increase/(Decrease) in other accrued Expenses Payable		64	(105)
Increase/(Decrease) in Other Liabilities		(212)	163
Increase/(Decrease) in Employee Leave Entitlements		(7)	262
Increase/(Decrease) in Other Provisions		-	(1,119)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		10,956	8,801

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Subsidised Works DUES Construction		-	18
Bushfire Grants		319	132
Other Non Cash Items - Reserves not previously included in register		-	291
Other Non Cash Items - Tip Remediation		-	300
Subdivisions		1,710	-
Total Non-Cash Investing & Financing Activities		2,029	741

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

Credit Cards / Purchase Cards	3	3
Total Financing Arrangements	3	3

Amounts utilised as at Balance Date:

- Credit Cards / Purchase Cards	3	3
Total Financing Arrangements Utilised	3	3

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.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		100	-
Structures		1,020	12,000
These expenditures are payable as follows:			
Within the next year		1,120	12,000
Total Payable		1,120	12,000
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		100	-
Unexpended Loans		1,020	12,000
Total Sources of Funding		1,120	12,000
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		17,798	19,709
Cleaning Services		89	54
Audit Services		65	84
Consultancy Services		167	225
Ordinance Inspector		307	85
IT Services		321	-
Other		191	150
Total Commitments		18,938	20,307
These expenditures are payable as follows:			
Within the next year		952	2,342
Later than one year and not later than 5 years		7,834	7,812
Later than 5 years		10,152	10,153
Total Payable		18,938	20,307

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		460	395
Later than one year and not later than 5 years		1,700	1,850
Later than 5 years		-	340
Total Payable		2,160	2,585

(g) 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 2011

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

\$ '000	Amounts		Indicator	Prior Periods	
	2011	2011		2010	2009
Local Government Industry Indicators					
1. Unrestricted Current Ratio					
Current Assets less all External Restrictions ⁽¹⁾	7,886	2.30 : 1	3.93	2.12	
Current Liabilities less Specific Purpose Liabilities ^(2,3)	3,425				
2. Debt Service Ratio					
Debt Service Cost	3,192	13.11%	6.19%	5.66%	
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	24,343				
3. Rates & Annual Charges Coverage Ratio					
Rates & Annual Charges	13,863	39.49%	38.01%	42.28%	
Income from Continuing Operations	35,109				
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage					
Rates, Annual & Extra Charges Outstanding	914	6.16%	5.79%	5.81%	
Rates, Annual & Extra Charges Collectible	14,842				
5. Building & Infrastructure Renewals Ratio					
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	6,705	83.57%	76.07%	60.14%	
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	8,023				

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
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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 2011

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	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	885	20	863	-
Investments				
- "Designated At Fair Value on Initial Recognition"	6,405	7,439	6,405	7,439
- "Held to Maturity"	26,481	33,440	26,504	33,463
Receivables	3,654	3,974	3,655	3,974
Total Financial Assets	37,425	44,873	37,427	44,876
Financial Liabilities				
Bank Overdraft	-	-	-	3
Payables	2,628	2,340	2,617	2,340
Loans / Advances	26,244	26,696	28,364	26,696
Total Financial Liabilities	28,872	29,036	30,981	29,039

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 2011

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 its 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
2011				
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
2010				
Possible impact of a 10% movement in Market Values	744	744	744	744
Possible impact of a 1% movement in Interest Rates	409	409	409	409

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	498	2,802	648	2,490
Overdue	329	46	88	768
	<u>827</u>	<u>2,848</u>	<u>736</u>	<u>3,258</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			20	19
+ new provisions recognised during the year			1	1
Balance at the end of the year			<u>21</u>	<u>20</u>

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & 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		
2011									
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
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	699	2,747	2,651	2,077	2,061	2,109	15,977	28,321	28,872
2010									
Trade/Other Payables	738	782	497	-	-	-	-	2,017	2,340
Loans & Advances	-	1,979	1,964	2,014	2,053	2,035	16,651	26,696	26,696
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	738	2,761	2,461	2,014	2,053	2,035	16,651	28,713	29,036

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.5%	-	0.2%
Trade/Other Payables	2,628	0.0%	2,340	0.0%
Loans & Advances - Fixed Interest Rate	26,244	7.5%	26,696	7.0%
	<u>28,872</u>		<u>29,036</u>	

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 16. Material Budget Variations

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by Council on 17 June 2010.

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 2010/11 financial year including transactions between activity areas and entities eliminated from the actual figure, and does not include council approved variations throughout the year.

As global investment to more normal state post the global financial crisis more consistent returns to council's investment income were restored. This saw an increase of \$935,000 or 57% on the original budget forecast.

Other revenues increased by \$126,000 on the original budget. The major contributing items were \$46,000 in Council's diesel fuel rebate after an audit of Council's past returns, \$18,000 in rental income and \$14,000 in property insurance reimbursements.

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 67% or \$3,111,000 on the budgeted figure. This was primarily due to funding received for flood damage works totaling \$1,716,000 for roads and \$75,000 for parks & reserves. Also there was a variation between operating and capital estimates for regional road funding of \$125,000, additional grants of \$122,000 were received for community services of \$72,000 (Seniors Safe & Savvy) and \$50,000 (Professional Sport Development), \$210,000 in the Financial Assistance Grant, additional environmental protection grants of \$80,000, \$48,000 contribution towards the transfer of land to the Nambucca Bridge Club, \$37,000 for Council's water loss management project and \$32,000 for public conveniences.

In relation to capital Grants & Contributions, the \$3,161,000 increase was primarily a result of funding for the Water Off-River Water Storage project and Nambucca Sewerage Augmentation projects that were included in the previous year's original budget and revoled 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.

The variance to borrowing costs was due to the unwinding of the present value discount relating to the \$12.75m interest free loan secured the previous year for the for the Nambucca Sewerage Augmentation Works.

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.

The 19% increase in depreciation is mainly due to the previous year revaluations of Roads and Bridges.

The loss from disposal of assets related to the write off of infrastructure assets in particular roads and bridges as a result of their replacement during the year.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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	288	85	-	13	(245)	-	141	354	(203)	292	-
Traffic Facilities	390	7	-	23	(41)	-	379	68	(60)	387	-
Parking	66	-	-	4	-	-	70	16	-	86	-
Open Space	978	169	-	59	(278)	-	928	833	(1,681)	80	-
Surf Club Equipment	12	8	-	1	-	-	21	32	(14)	39	-
Section 94 Planner	(112)	4	-	-	(24)	-	(132)	-	-	(132)	-
S94 Contributions - under a Plan	1,622	273	-	100	(588)	-	1,407	1,303	(1,958)	752	-
Total S94 Revenue Under Plans	1,622	273	-	100	(588)	-	1,407				
S64 Contributions	4,845	444	-	312	(637)	-	4,964				
Total Contributions	6,467	717	-	412	(1,225)	-	6,371	1,303	(1,958)	752	-

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Roads and Traffic Facilities

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	288	85	-	13	(245)	-	141	354	(203)	292	-
Traffic Facilities	390	7	-	23	(41)	-	379	68	(60)	387	-
Parking	86	-	-	4	-	-	70	16	-	86	-
Total	744	92	-	40	(286)	-	590	438	(263)	765	-

CONTRIBUTION PLAN - Public Recreation

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	
Open Space	978	169	-	59	(278)	-	928	833	(1,681)	80	-
Total	978	169	-	59	(278)	-	928	833	(1,681)	80	-

CONTRIBUTION PLAN - Surf Club Equipment

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	
Surf Club Equipment	12	8	-	1	-	-	21	32	(14)	39	-
Total	12	8	-	1	-	-	21	32	(14)	39	-

CONTRIBUTION PLAN NUMBER Section 94 Planner

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	
Section 94 Planner	(112)	4	-	-	(24)	-	(132)	-	-	(132)	-
Total	(112)	4	-	-	(24)	-	(132)	-	-	(132)	-

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & 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 AASB119. Sufficient information under AASB119 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 2011 was \$555,882. 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 2011 a deficit still exists. Effective from 1 July 2009, employers were required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$864,592 as at 30 June 2011.

(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 2011

Note 18. Contingencies & 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 Councils 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 30/6/11.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 19. Controlled Entities, Associated Entities & 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 reports of 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 not establish the share of assets to which Council would be entitled in the event of the winding up of the arrangement.

Council acknowledges that non disclosure of the assets and liabilities of the above is a departure from AAS19-interests 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)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

Council has no interest in any Associated Entities & 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

Council has no interest in any Subsidiaries, Associated Entities or Joint Venture Operations

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		213,409	211,461
a. Correction of Prior Period Errors	20 (c)	(1,159)	(2,911)
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		2,881	4,517
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		770	342
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u>215,901</u>	<u>213,409</u>

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	98,932	81,990
Total	<u>98,932</u>	<u>81,990</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	81,990	63,877
- Revaluations for the year	17,712	18,455
- Transfer to Retained Earnings for Asset disposals	(770)	(342)
- Balance at End of Year	<u>98,932</u>	<u>81,990</u>

"Available for Sale" Financial Investments Revaluation Reserve

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

Other Reserves

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

TOTAL VALUE OF RESERVES

<u>98,932</u>	<u>81,990</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 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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c. Correction of Error/s relating to a Previous Reporting Period

Correction of errors actioned in last year's financial statements.

1. Rubbish Tip Provision Reduction	689
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2. Council revalued various asset classes for the 10/11 Year End.	
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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 30/6/11 to reflect the correct value of accumulated depreciation;

- Roads - Bridges Asset Class	decrease to accum. depreciation	2,352
- Footpaths, K & G & Carpark Asset Class	increase to accum. depreciation	(2,381)

This adjustment resulted in a net(decrease) in Council's Accumulated Surplus as at 30/6/11

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:

- Other Structures Asset Class
- Other Assets - Heritage Asset Class
- Other Assets - Asset Class
- Land Improvements 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 30/6/10 (the closing date for the comparative figures in this report).

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;			
- Other Structures Asset Class	increase to accum. depreciation	(1,136)	
- Other Assets - Heritage Asset Class	increase to accum. depreciation	(125)	
- Other Assets - Asset Class	decrease to accum. depreciation	7	
- Land Improvements Asset Class	decrease to accum. depreciation	95	

This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/10.

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 - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)		(2,911)	
- Adjustments to Closing Equity - 30/6/10 (relating to adjustments for the 30/6/10 year end)		(1,159)	-
Total Prior Period Adjustments - Prior Period Errors		(1,159)	(2,911)

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 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011	Actual 2011
	Other	Water	Sewer	General ¹
Continuing Operations				
Income from Continuing Operations				
Rates & Annual Charges		403	2,244	11,216
User Charges & Fees		1,953	728	1,233
Interest & Investment Revenue		650	840	983
Other Revenues		201	93	143
Grants & Contributions provided for Operating Purposes		165	121	7,564
Grants & Contributions provided for Capital Purposes		1,134	2,726	2,712
Other Income				
Net Gains from Disposal of Assets		14	-	(14)
Total Income from Continuing Operations	-	4,520	6,752	23,837
Expenses from Continuing Operations				
Employee Benefits & on-costs		1,017	1,251	6,739
Borrowing Costs		257	896	557
Materials & Contracts		761	936	6,942
Depreciation & Amortisation		977	903	7,202
Other Expenses		-	-	3,178
Net Losses from the Disposal of Assets		-	-	612
Total Expenses from Continuing Operations	-	3,012	3,986	25,230
Operating Result from Continuing Operations	-	1,508	2,766	(1,393)
Discontinued Operations				
Net Profit/(Loss) from Discontinued Operations		-	-	-
Net Operating Result for the Year	-	1,508	2,766	(1,393)
Net Operating Result attributable to each Council Fund	-	1,508	2,766	(1,393)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	374	40	(4,105)

¹ 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 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011	Actual 2011
	Other	Water	Sewer	General ¹
ASSETS				
Current Assets				
Cash & Cash Equivalents		-	-	885
Investments		11,928	10,254	10,704
Receivables		854	279	2,521
Inventories		56	-	868
Other		-	-	354
Total Current Assets	-	12,838	10,533	15,332
Non-Current Assets				
Receivables		57	503	-
Inventories		-	-	41
Infrastructure, Property, Plant & Equipment		46,117	77,681	185,307
Total Non-Current Assets	-	46,174	78,184	185,348
TOTAL ASSETS	-	59,012	88,717	200,680
LIABILITIES				
Current Liabilities				
Payables		58	67	2,506
Borrowings		50	1,544	390
Provisions		-	-	3,323
Total Current Liabilities	-	108	1,611	6,219
Non-Current Liabilities				
Payables		-	-	615
Borrowings		3,628	12,093	8,539
Provisions		-	-	763
Total Non-Current Liabilities	-	3,628	12,093	9,917
TOTAL LIABILITIES	-	3,736	13,704	16,136
Net Assets	-	55,276	75,013	184,544
EQUITY				
Retained Earnings		30,676	48,321	136,904
Revaluation Reserves		24,600	26,692	47,640
Council Equity Interest		-	75,013	184,544
Minority Interests		-	-	-
Total Equity	-	55,276	75,013	184,544

¹ 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 & payables between the Funds.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	2011		2010	
	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 2011

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2011, 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 20/10/11.

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 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

1. Adoption of Integrated Water Cycle Management (IWCM) Strategy including the construction of a \$55m off river water storage.

At Council's Meeting on 18 November 2010 it was resolved that Council adopt a 40 year capital works program for the provision of water and sewerage services, otherwise known as an Integrated Water Cycle Management Strategy (Scenario 4). The strategy identifies that it will be necessary for Council to spend \$67.5m on capital works for water supply and \$69.3m on capital works for sewerage over the next 40 years. The capital works expenditure for water includes an off river water storage at Bowraville at an estimated cost of \$54m. The State and Federal Governments have offered grant assistance for the construction of the dam which in aggregate is estimated to be \$26m.

2. Land slip risk to roads and Council assets in Nambucca Heads, and particularly Riverside Drive

Following the receipt of geotechnical advice, Council is preparing cost estimates for addressing land slip risks to Riverside Drive and also Lower Parkes Street, Nambucca Heads. Pending finalisation of the cost estimates and timing of the work, the financial impact of addressing these risks is unknown. However the funds voted for land slip repair are unlikely to be sufficient for identified work.

3. Stormwater catchments in Nambucca Heads

Council is investigating drainage works to reduce damage from stormwater in catchments in Nambucca Heads. There may be substantial costs but these are subject to the finalisation of designs and a works program.

4. Clarence Regional Library Service

Council decided not to sign a new agreement for the Clarence Regional Library Service and has requested a distribution of net assets back to Council, including reserves. Council will utilise these funds to establish a stand alone library service.

5. Proposed \$54 million Bowraville Off River Water Storage

Council has been promised funding for this dam under the State Government's Towns Water and Sewerage Program. Even though Council is close to proceeding with a construction tender there is still uncertainty as to the timing of the NSW Government's funding.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 24. Discontinued Operations

\$ '000	Actual 2011	Actual 2010
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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 2011

Note 25. Intangible Assets

\$ '000

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 2011

Note 26. Reinstatement, Rehabilitation & 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	
		2011	2010
Old Coast Road - Nambucca Heads	2011	<u>723</u>	<u>685</u>
Balance at End of the Reporting Period	10	<u>723</u>	<u>685</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.

Reconciliation of movement in Provision for year:

Balance at beginning of year	685	1,804
Amounts capitalised to new or existing assets:		
- Cell Three	-	300
Amortisation of discount (expensed to borrowing costs)	38	19
Expenditure incurred attributable to Provisions	-	(1,438)
Total - Reinstatement, rehabilitation and restoration provision	<u>723</u>	<u>685</u>

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 2011

Note 28. Council Information & Contact Details

Principal Place of Business:

44 Princes 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: <http://www.nambucca.nsw.gov.au>

Email: 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

Janet Court

Brian Finlayson

Paula Flack

Michael Moran, OAM

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
e 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 30th June 2011.

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 Cash Flow Statement 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

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.

BASIS FOR QUALIFIED AUDIT OPINION

The audited financial statements will be submitted late to the Department of Local Government and not within the prescribed time provided for in Section 416 of Division 2 of the *Local Government Act 1993*. The delays in finalising the financial statements have been a result of continued problems arising from the conversion of the general ledger that occurred on 1 July 2010.

QUALIFIED AUDIT OPINION

In our opinion, except for the effects of non-compliance with the *Local Government Act 1993* reported in the basis for qualified audit opinion paragraph:

- (a) the accounting records of Nambucca Shire 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) has been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act, 1993*;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2011 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

P.R. Cornall

Paul Cornall

Principal

23rd November 2011

92 Rusden Street Armidale

23 November 2011

The Mayor
Nambucca Shire Council
PO Box 177
MACKSVILLE 2447

Armidale

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Armidale NSW 2350

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e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30th JUNE 2011

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2011 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.

Page 1

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

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 Cash Flow Statement 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 2011 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.

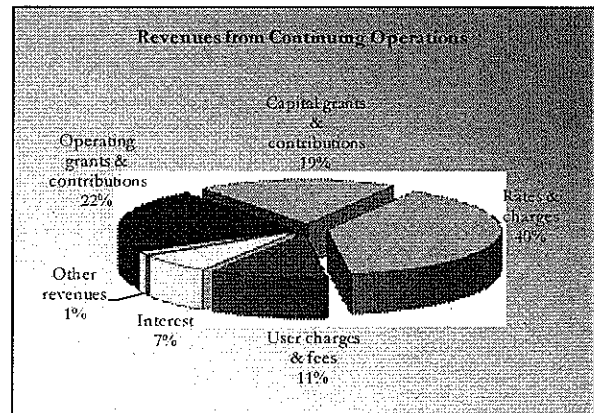
The combined income statement for the year ended 30 June 2011 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2011	2011	2010	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	13,976	13,863	13,445	3.1%	-0.8%
User charges & fees	4,203	3,914	3,803	2.9%	-6.9%
Interest	1,631	2,473	5,456	-54.7%	51.6%
Other revenues from ordinary activities	375	437	421	3.8%	16.5%
Grants & contributions for operating purposes	4,658	7,850	8,240	-4.7%	68.5%
Grants & contributions for capital purposes	3,492	6,572	4,006	64.1%	88.2%
Total income from continuing operations	28,422	35,109	35,371	-0.7%	23.5%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	9,092	9,007	8,145	10.6%	-0.9%
Borrowing costs	1,434	1,710	1,088	57.2%	19.2%
Materials and contracts	6,126	8,639	9,155	-5.6%	41.0%
Depreciation & amortisation	7,659	9,082	7,285	24.7%	18.6%
Other expenses from ordinary activities	3,433	3,178	3,116	2.0%	-7.4%
Loss from disposal of assets	0	612	2,065	-70.4%	0.0%
Total Expenses from continuing operations	27,744	32,228	30,854	4.5%	16.2%
NET OPERATING RESULT FOR YEAR	678	2,881	4,517	-36.2%	324.9%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,814)	(3,691)	511	-822.3%	31.2%

The operating result of \$2.9m is after recognising grants and contributions for capital expenditure purposes of \$6.6m. 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 \$3.8m (2010: surplus \$0.5m).

Operating revenues remained at similar levels to 2010 with a reduction in interest revenue offset by increases in grants and contributions. Interest income for 2010 included the one-off fair value adjustment of \$3.4m on the interest free loan received for the sewer treatment works project. Operating grants and contributions decreased by \$0.5m due to an decrease in RTA contributions. Capital grants increased by \$2.6m during the year due to grants received for the sewerage treatment works, off-stream water storage feasibility grants and significant property subdivision capital dedications received in the current year especially with regard to "Pearl at Valla" property development.

Operating expenses rose by \$1.4m or 4.5% compared to 2010 mainly as a result of an increase in employee benefits and oncost, borrowing costs and depreciation and amortisation.

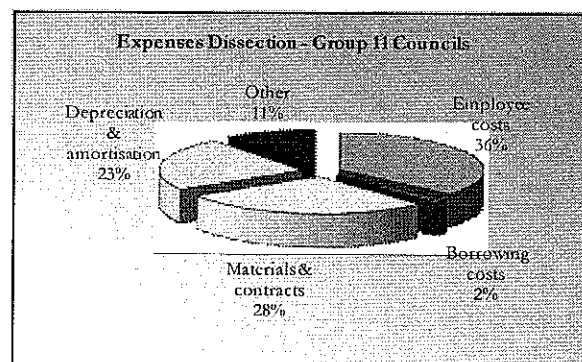
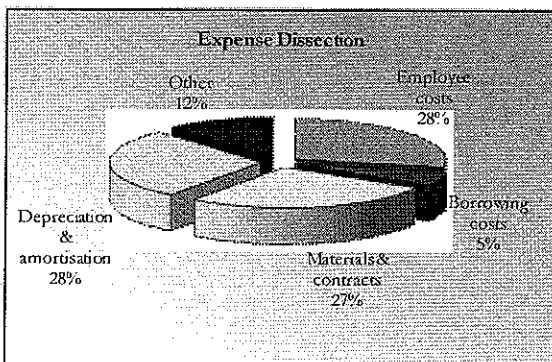


Employee costs rose due to full year impact of positions filled late in the 2010 year, award increases and pay scale adjustments. Borrowing costs increased due to borrowings taken out in the 2010 year and unwinding of the fair value adjustment for the interest free loan for the sewer treatment works. These expense increases were partially offset by a decrease in losses on disposal of assets due to the write-off of infrastructure assets of \$2m in the 2010 year compared to \$0.8m in the 2011 year.

The operating surplus for the year of \$2.9m compares with the original budget surplus of \$0.7m. The variance between the actual results and the original budget is primarily due to the following:

- Interest revenue (\$0.8m favourable to budget) – the variance is due to improved interest returns and continued improvement in market values of its investments.
- Operating grants & contributions (\$3.1m favourable to budget) – the variance is principally due to the increased RTA contributions during the year for flood damage works.
- Capital grants & contributions (\$3.2m favourable to budget) – the variance is principally due to the off-stream water storage project and Nambucca sewerage treatment works grants deferred from the 2010 year.
- Materials and Contracts (\$2.5m adverse to budget) – the increase in operating grants and contributions compared to budget has resulted in an increase in raw materials, consumables, contractor and consultancy costs during the year.
- Depreciation and amortisation (\$1.4m adverse to budget) – Council had not budgeted for the impact of higher depreciation arising from the revaluation of infrastructure assets in the 2010 year.
- Loss on disposal of assets (\$0.6m adverse to budget) – the variance principally relates to write off of infrastructure assets, in particular roads and buildings.

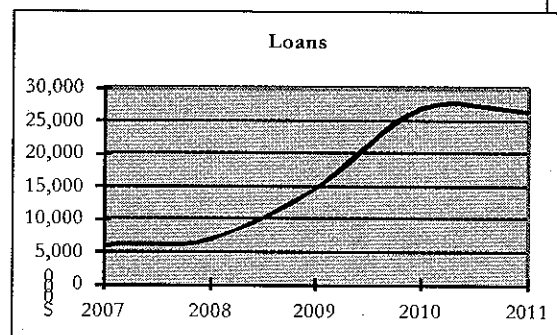
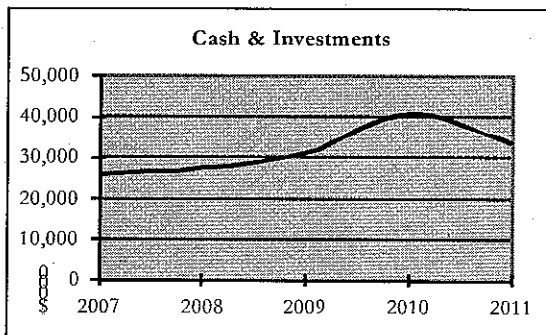
Below is a comparison of expense dissections for the Council for 2011 compared to the Group 11 council average (2010 data).



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 the 2010 year. 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 once the increase in depreciation as a result of the revaluations of roads and related infrastructure flows through the 2011 Group 11 results.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2011. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2011	2010	Variance
CURRENT ASSETS			
Cash and cash equivalents	885	20	4325.0%
Investments	32,886	40,879	-19.6%
Receivables	3,654	3,808	-4.0%
Inventories	924	889	3.9%
Other	354	354	0.0%
TOTAL CURRENT ASSETS	38,703	45,950	-15.8%
CURRENT LIABILITIES			
Payables	2,071	1,901	8.9%
Borrowings	1,984	1,980	0.2%
Provisions	3,323	3,273	1.5%
TOTAL CURRENT LIABILITIES	7,378	7,154	3.1%
NET CURRENT ASSETS	31,325	38,796	-19.3%
NON-CURRENT ASSETS			
Receivables	-	166	0.0%
Inventories	41	41	0.0%
Infrastructure, Property Plant & Equipment	309,105	282,391	9.5%
TOTAL NON-CURRENT ASSETS	309,146	282,598	9.4%
NON-CURRENT LIABILITIES			
Payables	615	497	23.7%
Provisions	763	782	-2.4%
Borrowings	24,260	24,716	-1.8%
TOTAL NON-CURRENT LIABILITIES	25,638	25,995	-1.4%
NET ASSETS	314,833	295,399	6.6%



Cash and investments have decreased from \$40.9m to \$33.8m as at 30 June 2011. This is due to expenditure on the completion of the sewer treatment works and commencement of expenditure on the off-stream water project.

The total borrowings decreased by \$1.0m to \$26.2m due to scheduled repayments.

The increase in infrastructure, property, plant and equipment of \$26.7m is due to the revaluation of community land, water supply network, sewer network and other structures assets in 2011 of \$17.7 and asset additions of \$20.3m, primarily due to the sewerage treatment works and off-stream water storage projects. These increases were partially offset by asset disposals and adjustments of \$2.2m, and depreciation of \$9.1m.

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	12,838	10,533	1,152	14,180	38,703
Current Liabilities	108	1,611	-	5,659	7,378
Net Current Assets	12,730	8,922	1,152	8,521	31,325
Plus: Employee Entitlements Payable >12mths	-	-	-	2,234	2,234
Total Funds before Restrictions	12,730	8,922	1,152	10,755	33,559
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	3,120	1,844	-	1,407	6,371
Unexpended Loans	761	3,936	-	612	5,309
Security Deposits	-	-	-	699	699
Unexpended Grants	-	-	-	2,943	2,943
Prepaid Private Works	-	-	-	52	52
	3,881	5,780	-	5,713	15,374
NET FUNDS AVAILABLE	8,849	3,142	1,152	5,042	18,185
LESS Internal Restrictions	-	-	-	4,351	4,351
Net Funds After All Restrictions	8,849	3,142	1,152	691	13,834

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Plant Replacement	198	90	-	288
Waste Management	352	44	21	375
Swimming Pool	75	15	15	75
Office Equipment	161	25	-	186
Expenditure savings re-allocated	323	112	323	112
Land Development	266	37	-	303
Public Road/Reserves Sales	80	-	-	80
Employee Entitlements	1,435	375	271	1,539
Environmental rate unallocated	369	83	-	452
Property Self Insurance	109	-	-	109
Election	33	32	-	65
Council Chambers Upkeep	66	-	-	66
Stormwater Management	450	127	-	577
Other	83	47	6	124
	4,000	987	636	4,351

Council has set aside \$1.4m to fund the employee leave entitlements provision. This amount represents 42.7% of the total liability compared with 42.5% set aside in the previous year and is considered adequate given the existing staff levels and age profiles.

After Funding both external and internal restrictions Council's general fund has unrestricted funds of \$0.7m (2010: \$2.3m) which is considered adequate to cover working capital requirements.

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	2011	2010	2009	2008	2007
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.3	3.93	2.12	1.73	2.44
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	13.1%	6.2%	5.7%	5.0%	6.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	39.5%	38.0%	42.3%	54.0%	51.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	6.2%	5.8%	5.8%	6.2%	5.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.84	0.76	0.60	0.61	0.24

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. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.3 as at 30 June 2011 indicates that there is \$2.30 of unrestricted current assets for every \$1.00 of current liabilities. The decreased in the ratio compared to the prior year back to similar levels in 2009 was a result of general fund reserves being utilised to purchase plant as well as road and related infrastructure assets. Councils ratio of 2.3 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.

The debt service ratio of 13.1% 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 also significantly higher than previous years due to the new loan repayments and fair value adjustments for the sewer treatment works loan, which has significantly affected the ratio.

The rate coverage ratio shows that 39.5% 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.

The outstanding rate ratio of 6.2% 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.

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 2011 Council spent \$0.84 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.

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 sound 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 Cash Flow Statement.

CASH MOVEMENTS	Actual	Actual	Variance
	2011	2010	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	35,537	32,528	9.3%
Proceeds from Assets Sales	459	43	967.4%
Repayment from Deferred Debtors	172	7	2357.1%
Proceeds from sale of investments	8,491	-	0.0%
Proceeds from Borrowings	975	15,998	-93.9%
TOTAL RECEIPTS	45,634	48,576	-6.1%
CASH OUTFLOWS			
Operating Payments	24,581	23,727	3.6%
Purchase of Assets	18,208	14,161	28.6%
Purchase of investments	0	11,855	0.0%
Repayment of Loans	1,980	630	214.3%
TOTAL PAYMENTS	44,769	50,373	-11.1%
TOTAL CASH MOVEMENT	865	-1,797	-148.1%
Cash and cash equivalents	885	20	4325.0%
Investments	32,886	40,879	-19.6%
Total Cash & Investments on Hand	33,771	40,899	-17.4%

Total cash and investments decreased from \$40.9m in 2010 to \$33.8m mainly due to the increase in capital expenditure especially on the sewer treatment works project.

Cash outflows for purchase of assets included road and bridge construction totalling \$3.6m. 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 \$23.7m.

Other asset additions during the year were \$11.1m work in progress on the Nambucca sewer treatment works project, plant and equipment of \$1.5m and water, stormwater and sewer infrastructure of \$2.0m.

SPECIAL PURPOSE REPORTS

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 \$314,000 after allowing for depreciation of \$977,000.

Under National Competition Policy guidelines Category 1 businesses are expected to generate a rate of return on capital funds employed. For Water and Sewer functions the rate of return should be sufficient to recover costs and replace assets needed to maintain services.

Revenues generated for the 2010/11 year were sufficient to fund depreciation of assets and the notional return on capital was 1.2% (2010: 1.2%).

The Net Current Asset position records a positive balance of \$12,730,000 (2010: \$11,231,000) 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 \$180,000 after allowing for depreciation of \$903,000.

Our comments above relating to the generation of a rate of return on capital employed also apply to the Sewerage function. Revenues generated for the 2010/11 year were sufficient to fully fund depreciation of assets and the notional return on capital after the inclusion of capital grant funding was 0.9% (2010: 5%).

The current level of Net Current Assets of \$8,922,000 (2010: \$17,341,000) is very sound 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 mostly completed in the 2011 year.

Reporting obligations under the Local Government Act

We note that, although Council's systems and records have been well maintained during the year, that the audited financial statements will be submitted late to the Department of Local Government and not within the prescribed time provided for in Division 2 of the *Local Government Act 1993*. The delays in



finalising the financial statements have been a result of continued problems arising from the conversion of the general ledger that occurred on 1 July 2010.

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

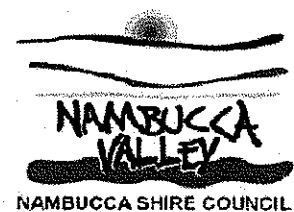
A handwritten signature in cursive script, appearing to read 'P.R. Cornall'.

Paul Cornall
Principal

Nambucca Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2011

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

Special Schedules

for the financial year ended 30 June 2011

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Special Schedules¹		
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¹ Special Purpose Schedules are not audited.

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 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	511	-	-	(511)
Administration	388	481	4	97
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	802	240	551	(11)
Beach Control	106	7	8	(91)
Animal Control	161	12	-	(149)
Total Public Order & Safety	1,069	259	559	(251)
Health	302	184	-	(118)
Environment				
Noxious Plants and Insect/Vermin Control	200	64	-	(136)
Other Environmental Protection	815	119	-	(696)
Solid Waste Management	3,698	4,123	-	425
Street Cleaning	377	-	-	(377)
Drainage	44	136	-	92
Total Environment	5,134	4,442	-	(692)
Community Services and Education				
Social Protection (Welfare)	303	146	-	(157)
Aged Persons and Disabled	85	99	-	14
Childrens Services	172	96	-	(76)
Total Community Services & Education	560	341	-	(219)
Housing and Community Amenities				
Public Cemeteries	73	35	-	(38)
Public Conveniences	208	32	-	(176)
Street Lighting	202	18	-	(184)
Town Planning	770	214	-	(556)
Total Housing and Community Amenities	1,253	299	-	(954)
Water Supplies	2,863	3,206	1,181	1,524
Sewerage Services	3,890	4,311	2,760	3,181

Nambucca Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	786	82	-	(704)
Museums	167	11	-	(156)
Community Centres and Halls	423	15	-	(408)
Other Cultural Services	158	-	-	(158)
Sporting Grounds and Venues	124	50	286	212
Swimming Pools	473	1	20	(452)
Parks & Gardens (Lakes)	1,115	233	49	(833)
Total Recreation and Culture	3,246	392	355	(2,499)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	348	78	-	(270)
Total Mining, Manufacturing and Const.	348	78	-	(270)
Transport and Communication				
Urban Roads (UR) - Local	1,377	-	-	(1,377)
Urban Roads - Regional	151	-	-	(151)
Sealed Rural Roads (SRR) - Local	5,749	1,748	1,140	(2,861)
Sealed Rural Roads - Regional	511	416	195	100
Unsealed Rural Roads (URR) - Local	1,948	-	-	(1,948)
Unsealed Rural Roads (URR) - Regional	422	-	-	(422)
Bridges on UR - Local	1,346	-	-	(1,346)
Bridges on SRR - Local	12	6	182	176
Bridges on Regional Roads	40	-	3	(37)
Parking Areas	23	41	68	86
Footpaths	119	-	-	(119)
Other Transport & Communication	533	59	206	(268)
Total Transport and Communication	12,231	2,270	1,794	(8,167)
Economic Affairs				
Other Economic Affairs	433	131	-	(302)
Total Economic Affairs	433	131	-	(302)
Totals – Functions	32,228	16,394	6,653	(9,181)
General Purpose Revenues⁽²⁾		12,062		12,062
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	32,228	28,456	6,653	2,881

(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 2011

\$'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		From Revenue	Sinking Funds			Current	Non Current
Loans (by Source)									
Financial Institutions	679	16,346	975	679			1,203	682	16,639
Other	1,301	11,595	-	1,301			9	1,302	10,293
Total Loans	1,980	27,941	975	1,980	-	-	1,212	1,984	26,932
Total Debt	1,980	27,941	975	1,980	-	-	1,212	1,984	26,932
									28,916

Notes: Excludes (i) Internal Loans & (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 2011

\$'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	41	88
Other Waste Management	90	10	22
Bridges	615	20	525
Totals	1,065	71	635

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 Mgmt	Water	10/07/02	10/01/03	10	10/07/12	5.55%	360	41	88
Other Waste M'ment	Water	10/07/02	10/01/03	10	10/07/12	5.55%	90	10	22
Bridges	Sewer	30/06/06	30/06/06	20	30/06/26	6.50%	615	20	525
Totals							1,065	71	635

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 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	398	463
b. Engineering and Supervision	239	214
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	246	190
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	62	43
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	208	194
i. Maintenance expenses	74	58
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	90	81
- Other		
m. Operation expenses	437	233
n. Maintenance expenses	24	36
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	952	940
b. Plant and equipment	25	38
4. Miscellaneous expenses		
a. Interest expenses	257	180
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	14	14
5. Total expenses	3,026	2,684

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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	359	378
b. Usage charges	1,302	1,095
7. Non-residential charges		
a. Access (including rates)	44	54
b. Usage charges	651	793
8. Extra charges	3	5
9. Interest income	647	535
10. Other income	201	156
11. Grants		
a. Grants for acquisition of assets	1,000	-
b. Grants for pensioner rebates	81	71
c. Other grants	-	-
12. Contributions		
a. Developer charges	134	150
b. Developer provided assets	-	-
c. Other contributions	84	167
13. Total income	<u>4,506</u>	<u>3,404</u>
14. Gain or loss on disposal of assets	14	-
15. Operating Result	<u>1,494</u>	<u>720</u>
15a. Operating Result (less grants for acquisition of assets)	494	720

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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	11	34
c. Renewals	421	239
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	48	36
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	480	309
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	5,343	5,332
b. Residential (unoccupied, ie. vacant lot)	566	565
c. Non-residential (occupied)	612	611
d. Non-residential (unoccupied, ie. vacant lot)	81	81
25. Number of ETs for which developer charges were received	32 ET	36 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 140,700	\$ 147,083

Nambucca Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value 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 from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (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.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<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 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	3,120	-	3,120
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	761	-	761
e. Sinking fund	-	-	-
f. Other	8,047	-	8,047
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	758	-	758
c. Other	96	57	153
32. Inventories	56	-	56
33. Property, plant and equipment			
a. System assets	-	46,117	46,117
b. Plant and equipment	-	-	-
34. Other assets	-	-	-
35. Total assets	<u>12,838</u>	<u>46,174</u>	<u>59,012</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	58	-	58
38. Borrowings			
a. Loans	50	3,628	3,678
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>108</u>	<u>3,628</u>	<u>3,736</u>
41. NET ASSETS COMMITTED	<u>12,730</u>	<u>42,546</u>	<u>55,276</u>
EQUITY			
42. Accumulated surplus			30,676
43. Asset revaluation reserve			24,600
44. TOTAL EQUITY			<u>55,276</u>
Note to system assets:			
45. Current replacement cost of system assets			80,591
46. Accumulated current cost depreciation of system assets			(34,474)
47. Written down current cost of system assets			<u>46,117</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 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	619	530
b. Engineering and Supervision	198	136
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	94	100
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	178	116
e. Maintenance expenses	253	240
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	99	118
i. Effluent Management	1	4
j. Biosolids Management	19	32
k. Maintenance expenses	449	459
- Other		
l. Operation expenses	278	353
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	878	884
b. Plant and equipment	25	30
4. Miscellaneous expenses		
a. Interest expenses	895	501
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	16	15
5. Total expenses	4,002	3,518

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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	1,856	1,613
7. Non-residential charges		
a. Access (including rates)	303	434
b. Usage charges	728	525
8. Trade Waste Charges		
a. Annual Fees	20	25
b. Usage charges	65	84
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	840	3,780
11. Other income	93	80
12. Grants		
a. Grants for acquisition of assets	2,173	-
b. Grants for pensioner rebates	73	66
c. Other grants	-	-
13. Contributions		
a. Developer charges	310	135
b. Developer provided assets	-	-
c. Other contributions	291	1,386
14. Total income	<u>6,752</u>	<u>8,128</u>
15. Gain or loss on disposal of assets	-	2
16. Operating Result	<u>2,750</u>	<u>4,612</u>
16a. Operating Result (less grants for acquisition of assets)	577	4,612

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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	18
b. New Assets for Growth	347	156
c. Renewals	1,896	160
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	1,525	231
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	3,768	565
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	4,814	4,783
b. Residential (unoccupied, ie. vacant lot)	480	477
c. Non-residential (occupied)	575	571
d. Non-residential (unoccupied, ie. vacant lot)	73	73
26. Number of ETs for which developer charges were received	77 ET	38 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 134,548	\$ 133,351

Nambucca Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
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 land value 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 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"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (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.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* 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 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	1,844	-	1,844
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	3,936	-	3,936
e. Sinking fund	-	-	-
f. Other	4,474	-	4,474
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	257	-	257
c. Other	22	503	525
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	77,681	77,681
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>10,533</u>	<u>78,184</u>	<u>88,717</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	67	-	67
39. Borrowings			
a. Loans	1,544	12,093	13,637
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>1,611</u>	<u>12,093</u>	<u>13,704</u>
42. NET ASSETS COMMITTED	<u>8,922</u>	<u>66,091</u>	<u>75,013</u>
EQUITY			
42. Accumulated surplus			48,321
44. Asset revaluation reserve			26,692
45. TOTAL EQUITY			<u>75,013</u>
Note to system assets:			
46. Current replacement cost of system assets			105,595
47. Accumulated current cost depreciation of system assets			(27,914)
48. Written down current cost of system assets			<u>77,681</u>

Nambucca Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2011

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and not in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **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 2011

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition #	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required Annual Maintenance	Current Annual Maintenance	
		per Note 1	per Note 4						per Section 428(2d)			
Buildings	Council Offices	1.00%	77		3,172	1,122	2,050	3	650	60	35	
	Council Works Depot	1.00%	22		929	547	382	4	1,000	25	10	
	Council Halls	2.00%	255		13,033	7,752	5,281	3	2,800	280	82	
	Bushfire/SES	1.00%	51		3,067	1,188	1,879	3	20	10	9	
	Museum	1.00%	56		2,488	1,581	907	4	990	50	47	
	Library	1.00%	94		3,700	2,007	1,693	3	740	74	75	
	Childcare Centre(s)	2.00%	19		1,230	732	498	3	15	5	6	
	Amenities/Toilets	2.00%	198		9,567	5,633	4,034	3	1,850	250	32	
	Swimming Pool	2.00%	44		2,258	508	1,750	3	800	65	33	
	Showground/Saleyards	2.00%	37		2,277	1,119	1,158	4	905	45	40	
	Building Other	1.00%	53		3,769	1,239	2,530	3	550	55	5	
	sub total		906		45,490	23,328	22,162		10,320	919	374	
	Other Structures	Assets not included in Buildings		216		15,608	6,015	9,593	3	3,900	150	90
	sub total		216		15,608	6,015	9,593		3,900	150	90	
Public Roads	Sealed Roads	2.85%	3,907		108,207	51,573	56,634	3	13,294	3,956	1,551	
	Unsealed Roads	1.00%	123		13,373	5,385	7,988	2	855	890	854	
	Bridges - Concrete	1.25%	175		14,017	1,070	12,947	2	258	133	-	
	Footpaths	2.50%	103		4,520	2,289	2,231	2	1,093	43	25	
	Kerb and Gutter	1.25%	190		12,090	8,186	3,904	3	3,997	59	27	
	Bridges - Timber	3.33%	402		17,756	8,186	9,570	3	4,242	562	233	
	Roads - Other	2.00%	20		962	148	814	3	14	5	5	
	sub total		4,920		170,925	76,837	94,088		23,753	5,648	2,695	

Nambucca Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	35,109	35,600	38,000	40,400	40,500
Expenses from continuing operations	32,228	37,240	37,900	38,000	38,400
Operating Result from Continuing Operations	<u>2,881</u>	<u>(1,640)</u>	<u>100</u>	<u>2,400</u>	<u>2,100</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	12,320	25,500	20,480	4,000	500
Replacement/Refurbishment of Existing Assets	7,956	5,027	4,335	3,116	3,593
Total Capital Budget	<u>20,276</u>	<u>30,527</u>	<u>24,815</u>	<u>7,116</u>	<u>4,093</u>
Funded by:					
- Loans	975	13,650	11,165	3,055	580
- Asset sales	613	-	-	-	-
- Reserves	11,825	5,823	4,718	1,215	1,648
- Grants/Contributions	6,403	9,092	7,033	2,073	659
- Recurrent revenue	460	1,962	1,899	773	1,206
	<u>20,276</u>	<u>30,527</u>	<u>24,815</u>	<u>7,116</u>	<u>4,093</u>

Notes:

(1) From 10/11 Income Statement.

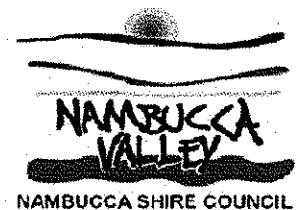
(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
1. Statement by Councillors & Management	
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	1
- Income Statement of Sewerage Business Activity	2
- Balance Sheet of Water Supply Business Activity	3
- Balance Sheet of Sewerage Business Activity	4
3. Notes to the Special Purpose Financial Statements	6-13
4. Auditor's Report	

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).

Nambucca Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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:

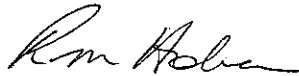
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.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

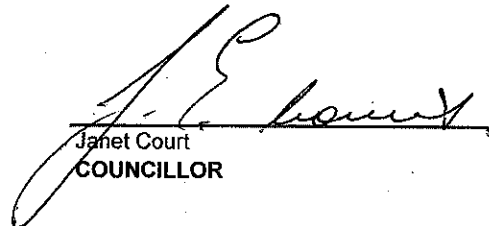
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 20 October 2011.



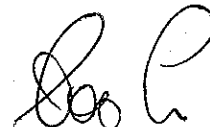
Rhonda Hoban
MAYOR



Janet Court
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 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	403	432	312
User charges	1,953	1,888	1,636
Interest	650	540	(62)
Grants and contributions provided for non capital purposes	165	72	116
Profit from the sale of assets	14	-	10
Other income	201	156	166
Total income from continuing operations	3,386	3,088	2,178
Expenses from continuing operations			
Employee benefits and on-costs	1,017	789	693
Borrowing costs	257	180	49
Materials and contracts	761	723	710
Depreciation and impairment	977	978	912
Calculated taxation equivalents	14	14	14
Debt guarantee fee (if applicable)	46	56	29
Total expenses from continuing operations	3,072	2,740	2,407
Surplus (deficit) from Continuing Operations before capital amounts	314	348	(229)
Grants and contributions provided for capital purposes	1,134	316	719
Surplus (deficit) from Continuing Operations after capital amounts	1,448	664	490
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,448	664	490
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(94)	(104)	-
SURPLUS (DEFICIT) AFTER TAX	1,354	560	490
plus Opening Retained Profits	29,182	28,462	27,943
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	14	14	14
- Debt guarantee fees	46	56	29
- Corporate taxation equivalent	94	104	-
less:			
- Tax Equivalent Dividend paid	(14)	(14)	(14)
- Surplus dividend paid	-	-	-
Closing Retained Profits	30,676	29,182	28,462
Return on Capital %	1.2%	1.2%	-0.4%
Subsidy from Council	1,832	1,754	2,602
Calculation of dividend payable:			
Surplus (deficit) after tax	1,354	560	490
less: Capital grants and contributions (excluding developer contributions)	(1,000)	(166)	(261)
Surplus for dividend calculation purposes	354	394	229
Potential Dividend calculated from surplus	177	197	115

Nambucca Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	2,244	2,155	1,891
User charges	728	525	540
Interest	840	3,780	(25)
Grants and contributions provided for non capital purposes	121	66	74
Profit from the sale of assets	-	2	19
Other income	93	81	107
Total income from continuing operations	4,026	6,609	2,606
Expenses from continuing operations			
Employee benefits and on-costs	1,251	955	949
Borrowing costs	896	501	234
Materials and contracts	936	1,133	970
Depreciation and impairment	903	914	860
Calculated taxation equivalents	16	15	14
Debt guarantee fee (if applicable)	204	268	20
Total expenses from continuing operations	4,206	3,786	3,047
Surplus (deficit) from Continuing Operations before capital amounts	(180)	2,823	(441)
Grants and contributions provided for capital purposes	2,726	1,521	725
Surplus (deficit) from Continuing Operations after capital amounts	2,546	4,344	284
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	2,546	4,344	284
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(847)	-
SURPLUS (DEFICIT) AFTER TAX	2,546	3,497	284
plus Opening Retained Profits	45,571	40,721	40,417
plus/less: Prior Period Adjustments	-	238	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	16	15	14
- Debt guarantee fees	204	268	20
- Corporate taxation equivalent	-	847	-
less:			
- Tax Equivalent Dividend paid	(16)	(15)	(14)
- Surplus dividend paid	-	-	-
Closing Retained Profits	48,321	45,571	40,721
Return on Capital %	0.9%	5.0%	-0.3%
Subsidy from Council	3,331	42	3,503
Calculation of dividend payable:			
Surplus (deficit) after tax	2,546	3,497	284
less: Capital grants and contributions (excluding developer contributions)	(2,416)	(1,386)	(414)
Surplus for dividend calculation purposes	130	2,111	-
Potential Dividend calculated from surplus	65	1,056	-

Nambucca Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Investments	11,928	10,412
Receivables	854	879
Inventories	56	58
Total Current Assets	12,838	11,349
Non-Current Assets		
Receivables	57	108
Infrastructure, property, plant and equipment	46,117	44,744
Total non-Current Assets	46,174	44,852
TOTAL ASSETS	59,012	56,201
LIABILITIES		
Current Liabilities		
Payables	58	70
Interest bearing liabilities	50	48
Total Current Liabilities	108	118
Non-Current Liabilities		
Interest bearing liabilities	3,628	3,679
Total Non-Current Liabilities	3,628	3,679
TOTAL LIABILITIES	3,736	3,797
NET ASSETS	55,276	52,404
EQUITY		
Retained earnings	30,676	29,182
Revaluation reserves	24,600	23,222
Council equity interest	55,276	52,404
TOTAL EQUITY	55,276	52,404

Nambucca Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Investments	10,254	18,691
Receivables	279	245
Total Current Assets	10,533	18,936
Non-Current Assets		
Receivables	503	525
Infrastructure, property, plant and equipment	77,681	66,006
Total non-Current Assets	78,184	66,531
TOTAL ASSETS	88,717	85,467
LIABILITIES		
Current Liabilities		
Payables	67	70
Interest bearing liabilities	1,544	1,525
Total Current Liabilities	1,611	1,595
Non-Current Liabilities		
Interest bearing liabilities	12,093	13,084
Total Non-Current Liabilities	12,093	13,084
TOTAL LIABILITIES	13,704	14,679
NET ASSETS	75,013	70,788
EQUITY		
Retained earnings	48,321	45,571
Revaluation reserves	26,692	25,217
Council equity interest	75,013	70,788
TOTAL EQUITY	75,013	70,788

Nambucca Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6-8
2	Water Supply Business Best Practice Management disclosure requirements	9-10
3	Sewerage Business Best Practice Management disclosure requirements	11-13

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

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

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

statements as a cost of operations just like all other costs.

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 **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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.

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community 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 5.21% at 30/6/11.

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 2011 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 2011Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	60,000
(ii)	No of assessments multiplied by \$3/assessment	19,806
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	19,806
(iv)	Amounts actually paid for Tax Equivalents	13,676

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	176,900
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	178,254
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	976,400

2011 Surplus	353,800	2010 Surplus	393,600	2009 Surplus	229,000
		2010 Dividend	-	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	176,900
(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 2011

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	2,859
NWI F4	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)]	%	78.39%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	46,117
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,778
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	432
NWI F17	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)]	%	0.23%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	1,000

- 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 2011Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	220,000
(ii)	No of assessments multiplied by \$3/assessment	17,826
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	17,826
(iv)	Amounts actually paid for Tax Equivalents	15,597

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	65,000
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	160,434
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	2,111,100

2011 Surplus	130,000	2010 Surplus	2,111,100	2009 Surplus	(130,000)
		2010 Dividend	-	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	65,000
(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 2011

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,739
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	77,681
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,188
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,243
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.83%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	2,173

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F3	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	6,612
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.33%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,675
NWI F19	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)]	%	0.61%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	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 2011

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	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)]	%	-3.74%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 752 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: - 335 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	1,042
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	154

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 30th June 2011 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Accounts. The financial statements include the accounts 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 is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial 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 is 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

ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

The special purpose financial statements have been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department 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 30th June 2011 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

P.R. Cornall

Paul Cornall
Principal

23rd November 2011
92 Rusden Street Armidale