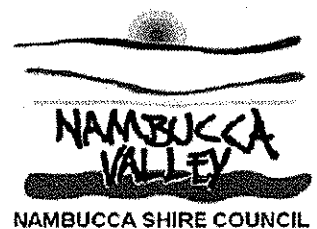


Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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:

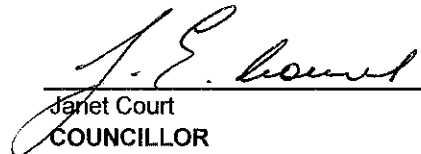
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 2 December 2010



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 2010

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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 corporate 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 Section 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 dd/mm/yy.
Council has the power to amend and reissue the financial statements.
-

Nambucca Shire Council

Income Statement

for the financial year ended 30 June 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
<i>Revenue:</i>				
13,564	Rates & Annual Charges	3a	13,445	12,367
3,709	User Charges & Fees	3b	3,803	3,373
745	Interest & Investment Revenue	3c	5,456	97
385	Other Revenues	3d	421	312
4,988	Grants & Contributions provided for Operating Purposes	3e,f	7,709	6,680
6,858	Grants & Contributions provided for Capital Purposes	3e,f	4,537	6,419
<i>Other Income:</i>				
137	Net gains from the disposal of assets	5	-	-
<u>30,386</u>	Total Income from Continuing Operations		<u>35,371</u>	<u>29,248</u>
Expenses from Continuing Operations				
8,678	Employee Benefits & On-Costs	4a	8,145	7,715
1,355	Borrowing Costs	4b	1,088	623
5,539	Materials & Contracts	4c	9,155	8,150
7,835	Depreciation & Amortisation	4d	7,285	7,653
3,514	Other Expenses	4e	3,116	2,752
	Net Losses from the Disposal of Assets	5	2,065	1,629
<u>26,921</u>	Total Expenses from Continuing Operations		<u>30,854</u>	<u>28,522</u>
<u>3,465</u>	Operating Result from Continuing Operations		<u>4,517</u>	<u>726</u>
<u>3,465</u>	Net Operating Result for the Year		<u>4,517</u>	<u>726</u>
3,465	Net Operating Result attributable to Council		4,517	726
	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
<u>(3,393)</u>			<u>(20)</u>	<u>(5,693)</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 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		4,517	726
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	18,455	2,485
Other Movements in Reserves (enter details here)	20b (ii)	(342)	-
Total Other Comprehensive Income for the year		18,113	2,485
Total Comprehensive Income for the Year		22,630	3,211
Total Comprehensive Income attributable to Council		22,630	3,211
Total Comprehensive Income attributable to Minority Interests			

Nambucca Shire Council

Balance Sheet
as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	20	3,008
Investments	6b	40,879	28,079
Receivables	7	3,808	3,388
Inventories	8	889	772
Other	8	354	306
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		45,950	35,553
Non-Current Assets			
Receivables	7	166	173
Inventories	8	41	23
Infrastructure, Property, Plant & Equipment	9	282,391	263,343
Total Non-Current Assets		282,598	263,539
TOTAL ASSETS		328,548	299,092
LIABILITIES			
Current Liabilities			
Payables	10	1,901	2,558
Borrowings	10	1,980	1,821
Provisions	10	3,273	3,049
Total Current Liabilities		7,154	7,428
Non-Current Liabilities			
Payables	10	497	540
Borrowings	10	24,716	13,923
Provisions	10	782	1,863
Total Non-Current Liabilities		25,995	16,326
TOTAL LIABILITIES		33,149	23,754
Net Assets		295,399	275,338
EQUITY			
Retained Earnings	20	213,409	211,461
Revaluation Reserves	20	81,990	63,877
Council Equity Interest		295,399	275,338
Total Equity		295,399	275,338

Nambucca Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

\$ '000	Notes	Council				
		Retained Earnings	Reserves (Refer 20b)	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 Reserve	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

\$ '000	Notes	Council				
		Retained Earnings	Reserves (Refer 20b)	Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		210,735	61,392	272,127	-	272,127
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		210,735	61,392	272,127	-	272,127
c. Net Operating Result for the Year		726	-	726	-	726
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsvve	20b (ii)	-	2,485	2,485	-	2,485
Other Comprehensive Income		-	2,485	2,485	-	2,485
Total Comprehensive Income (c&d)		726	2,485	3,211	-	3,211
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		211,461	63,877	275,338	-	275,338

Nambucca Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget		Notes	Actual	Actual
2010	\$ '000		2010	2009
Cash Flows from Operating Activities				
Receipts:				
13,564	Rates & Annual Charges		13,402	12,411
3,709	User Charges & Fees		3,657	3,299
745	Investment & Interest Revenue Received		761	997
11,846	Grants & Contributions		11,639	8,757
385	Other		3,069	2,484
Payments:				
(8,348)	Employee Benefits & On-Costs		(7,996)	(7,407)
(5,539)	Materials & Contracts		(9,962)	(7,829)
(1,355)	Borrowing Costs		(917)	(395)
(3,514)	Other		(4,852)	(4,869)
11,493	Net Cash provided (or used in) Operating Activities	11b	8,801	7,448
Cash Flows from Investing Activities				
Receipts:				
	Nil			
3,920	Sale of Investment Securities		24,552	
217	Sale of Infrastructure, Property, Plant & Equipment		43	349
	Deferred Debtors Receipts		7	27
Payments:				
	Nil			
	Purchase of Investment Securities		(36,407)	(4,688)
(26,131)	Purchase of Infrastructure, Property, Plant & Equipment		(14,045)	(9,818)
(161)	Purchase of Real Estate Assets		(116)	(143)
(22,155)	Net Cash provided (or used in) Investing Activities		(25,966)	(14,273)
Cash Flows from Financing Activities				
Receipts:				
	Nil			
11,148	Proceeds from Borrowings & Advances		15,998	8,305
Payments:				
	Nil			
(812)	Repayment of Borrowings & Advances		(630)	(524)
10,336	Net Cash Flow provided (used in) Financing Activities		15,368	7,781
(326)	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,797)	956
861	plus: Cash & Cash Equivalents - beginning of year	11a	1,817	861
535	Cash & Cash Equivalents - end of the year	11a	20	1,817
Additional Information:				
	plus: Investments on hand - end of year	6b	40,879	28,079
Total Cash, Cash Equivalents & Investments			40,899	29,896

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 2010

\$ '000	Notes	Actual 2010	Actual 2009	Actual 2008
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	20	3,008	2,932
Investments	6b	40,879	28,079	24,245
Receivables	7	3,808	3,388	2,753
Inventories	8	889	772	503
Other	8	354	306	314
Total Current Assets		45,950	35,553	30,747
Non-Current Assets				
Receivables	7	166	173	197
Inventories	8	41	23	-
Infrastructure, Property, Plant & Equipment	9	282,391	263,343	257,115
Total Non-Current Assets		282,598	263,539	257,312
TOTAL ASSETS		328,548	299,092	288,059
LIABILITIES				
Current Liabilities				
Payables	10	1,901	2,558	1,873
Borrowings	10	1,980	1,821	2,595
Provisions	10	3,273	3,049	2,811
Total Current Liabilities		7,154	7,428	7,279
Non-Current Liabilities				
Payables	10	497	540	539
Borrowings	10	24,716	13,923	6,248
Provisions	10	782	1,863	1,866
Total Non-Current Liabilities		25,995	16,326	8,653
TOTAL LIABILITIES		33,149	23,754	15,932
Net Assets		295,399	275,338	272,127
EQUITY				
Retained Earnings	20	213,409	211,461	210,735
Revaluation Reserves	20	81,990	63,877	61,392
Council Equity Interest		295,399	275,338	272,127
Minority Equity Interest		-	-	-
Total Equity		295,399	275,338	272,127

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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n/a - not applicable

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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, 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,
- 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.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

Under the Local Government Act, 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.

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Income 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.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and (ii) all the related operating results (for the financial year ended the 30th June 2010).

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 50 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 Committees revenue and expenses in these 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 Venture Entities

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

for the provisions 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.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 occur in the near term.

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Council amended its policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)**Acquisition of assets**

Council's non current assets are being 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)

The only remaining asset class that is to be revalued in a future reporting period is;

- **2010/11:** Community land, land improvements, other structures and other assets

Until the designated future reporting periods, the above remaining asset class is stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

On initial recognition, an asset's 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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Council and the cost of the item can be measured reliably.

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

Capitalisation Thresholds

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

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	> \$20,000
- renovations	> \$20,000
Other Structures	> \$20,000

Water & Sewer Assets	
Mains, Reservoirs, Pump Stations	> Capitalise
Reticulation, Treatment Works	> 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

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

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Other Equipment	
- Bush Fire Equipment	5 years
-	
Buildings	
- Buildings : Operating	100 years
- Buildings : Community	50 years
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years
Transportation Assets	
- Sealed Roads	35 years
- Unsealed roads	100 years
- Bridges :	42 years
Water Supply	
- Mains	80 years
- Reservoirs	100 years
- Pump Stations	50 years
Sewer Supply	
- Reticulation	65 years
- Rising Mains	45 years
- Treatment Works	50 years
- Pump Stations	70 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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.

Council will review the recognition of all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Council and revenues relating the reserves are recognised within Council's Income Statement.

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

(o) Rural Fire Service assets

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

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

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

(p) 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

This amortisation of the 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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

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

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

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

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

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

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

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.

(r) 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 it's 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.

(s) Payables

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

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

(v) 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.

(w) 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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 \$286 million at 30 June 2010.

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

(x) Self insurance

Council does not self insure.

(y) 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.

(z) 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.

(aa) 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 2010.

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 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Council is yet to assess its full impact.

However, initial indications are that it may affect 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 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(ab) Rounding of amounts

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

(ac) 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.

(ad) 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 2010

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 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Governance		-	497	500	2,294	2,616	(500)	-	(497)	-	-	(3)	-
Administration	344	195	160	4,108	2,294	2,616	(3,764)	(2,099)	(2,456)	26	23	12,378	12,192
Public Order & Safety	712	414	506	715	1,053	1,072	(3)	(639)	(566)	352	259	3,306	3,452
Health	73	176	203	100	287	414	(27)	(111)	(211)	114	102	21	55
Environment	3,942	4,445	-	2,897	4,994	-	1,045	(549)	-	-	-	-	-
Community Services & Education	201	296	328	329	435	344	(128)	(139)	(16)	296	329	899	951
Housing & Community Amenities	509	293	4,737	433	1,604	5,302	76	(1,311)	(565)	344	291	7,833	7,880
Water Supplies	4,046	2,653	2,765	2,170	2,556	2,155	1,876	97	610	106	27	55,175	53,587
Sewerage Services	7,158	4,168	3,188	3,310	3,416	2,764	3,848	752	424	1,385	6	84,326	69,835
Recreation & Culture	399	1,448	968	2,827	3,458	2,899	(2,428)	(2,010)	(1,931)	638	174	28,623	28,823
Mining, Manufacturing & Construction	40	36	29	440	372	288	(400)	(336)	(259)	-	-	-	-
Transport & Communication	2,390	5,647	3,939	8,852	9,709	9,695	(6,462)	(4,062)	(5,756)	1,967	1,787	130,772	116,958
Economic Affairs	104	342	1,160	240	676	476	(136)	(334)	684	39	13	5,218	5,359
Total Functions & Activities	19,918	20,113	17,983	26,921	30,854	28,522	(7,003)	(10,741)	(10,539)	5,267	3,011	328,548	299,092
General Purpose Income	10,468	15,258	11,265				10,468	15,258	11,265	2,720	3,209		
Operating Result from Continuing Operations	30,386	35,371	29,248	26,921	30,854	28,522	3,465	4,517	726	7,987	6,220	328,548	299,092

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 2010

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:

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, other.

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, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		5,519	5,246
Farmland		703	688
Mining		308	293
Business		847	787
Total Ordinary Rates		7,377	7,014
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,871	2,514
Water Supply Services		420	303
Sewerage Services		2,021	1,840
Drainage		134	133
Waste Management Services (non-domestic)		622	563
Total Annual Charges		6,068	5,353
TOTAL RATES & ANNUAL CHARGES		13,445	12,367
Council has used 2007 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)			
Domestic Waste Management Services		-	2
Water Supply Services		1,869	1,613
Sewerage Services		609	540
Waste Management Services (non-domestic)		532	517
Swimming Pool		-	47
Saleyards		82	71
Other		1	2
Total User Charges		3,093	2,792
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Regulation		28	28
Planning & Building Regulation		172	120
Private Works - Section 67		162	28
Regulatory/ Statutory Fees		254	332
Section 149 Certificates (EPA Act)		5	5
Section 603 Certificates		28	26
Other (enter details...)		12	8
Total Fees & Charges - Statutory/Regulatory		661	547
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Cemeteries		49	34
Total Fees & Charges - Other		49	34
TOTAL USER CHARGES & FEES		3,803	3,373

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		91	99
- Interest earned on Investments (interest & coupon payment income)		1,054	944
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		945	(854)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		3,366	-
Other		-	(92)
TOTAL INTEREST & INVESTMENT REVENUE		5,456	97
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		91	99
General Council Cash & Investments		4,785	120
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		104	(21)
- Section 64		262	(42)
Water Fund Operations		294	(39)
Sewerage Fund Operations		235	(6)
Domestic Waste Management operations		34	(2)
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		(349)	(12)
Total Interest & Investment Revenue Recognised		5,456	97
(d). Other Revenues			
Parking Fines		51	12
Other Fines		8	6
Legal Fees Recovery - Rates & Charges (Extra Charges)		21	1
Commissions & Agency Fees		10	5
Insurance Claim Recoveries		6	2
Sales - General		3	-
Lease Rentals		162	170
Insurance-Premium Rebates		52	45
Special Meter Reading Fees		6	7
Administration		5	6
Environmental Services		9	9
Bank Merchant Service Fees		13	14
Other - Road Closure/Compulsory Acquisition		56	-
Other - Septic Waste Disposal Fees		7	-
Other (insert details here)		-	35
Other		12	-
TOTAL OTHER REVENUE		421	312

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,258	2,758	-	-
Financial Assistance - Local Roads Component	957	1,159	-	-
Pensioners' Rates Subsidies - General Component	230	226	-	-
Total General Purpose	3,445	4,143	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	70	67	-	-
- Sewerage	66	67	-	-
- Domestic Waste Management	95	90	-	-
Water Supplies	-	-	107	28
Sewerage Services	-	-	1,385	6
Bushfire & Emergency Services	352	259	-	-
Community Care	138	146	-	-
Community Centres	-	-	-	16
Employment & Training Programs	200	184	-	-
Economic Development	34	13	-	-
Environmental Protection	254	277	53	-
Heritage & Cultural	21	(3)	-	-
Library	151	79	-	-
Noxious Weeds	114	102	-	-
Public Halls	-	-	75	76
Recreation & Culture	40	-	342	-
Street Lighting	18	18	-	-
Transport (Roads to Recovery)	-	-	531	495
Transport (Other Roads & Bridges Funding)	-	-	461	115
Museums	9	6	-	-
Other	26	36	-	-
Total Specific Purpose	1,588	1,341	2,954	736
Total Grants	5,033	5,484	2,954	736
Grant Revenue is attributable to:				
- Commonwealth Funding	3,215	3,917	992	610
- State Funding	1,818	1,567	1,962	126
- Other Funding	-	-	-	-
	5,033	5,484	2,954	736

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
Nil				
S 94 - Contributions towards amenities/services	-	-	199	398
S 64 - Water Supply Contributions	-	-	150	458
S 64 - Sewerage Service Contributions	-	-	135	311
Total Developer Contributions	17	-	484	1,167
Other Contributions:				
Nil				
Bushfire Services	-	-	34	201
Dedications (other than by S94)	-	-	30	-
Heritage/Cultural	-	-	3	-
Recreation & Culture	7	5	-	-
Roads & Bridges	-	-	230	299
RTA Contributions (Regional/Local, Block Grant)	2,603	1,088	448	223
Sewerage (excl. Section 64 contributions)	-	-	-	2
Water Supplies (excl. Section 64 contributions)	-	-	60	21
Subdivider dedications	-	-	291	3,307
Other - Grants Officer	17	18	-	-
Other - Water & Sewer Asset M'tment	7	28	-	-
Other-Nambucca Valley Netball	-	-	-	35
Other-Department of Infrastructure-Coronation Pk	-	-	-	423
Other	42	57	3	5
Total Other Contributions	2,676	1,196	1,099	4,516
Total Contributions	2,676	1,196	1,583	5,683
TOTAL GRANTS & CONTRIBUTIONS	7,709	6,680	4,537	6,419

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2010	Actual 2009
(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	8,289	6,825
add: Grants and contributions recognised in the current period which have not been spent:	2,288	1,662
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,429)	(198)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(141)	1,464
Unexpended at the Close of this Reporting Period and held as Restricted Assets	<u>8,148</u>	<u>8,289</u>
Comprising:		
- Specific Purpose Unexpended Grants	1,681	1,894
- Developer Contributions	<u>6,467</u>	<u>6,395</u>
	<u>8,148</u>	<u>8,289</u>

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		5,885	5,465
Travelling		110	317
Employee Leave Entitlements (ELE)		1,001	1,155
Superannuation - Defined Contribution Plans		373	368
Superannuation - Defined Benefit Plans		537	200
Workers' Compensation Insurance		337	375
Fringe Benefit Tax (FBT)		45	42
Training Costs (other than Salaries & Wages)		293	130
Other		47	43
Total Employee Costs		8,628	8,095
less: Capitalised Costs		(483)	(380)
TOTAL EMPLOYEE COSTS EXPENSED		8,145	7,715
Number of "Equivalent Full Time" Employees at year end		130	120
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		131	124
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Nil			
Interest on Loans		928	521
Total Interest Bearing Liability Costs		928	521
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		928	521
(ii) Other Borrowing Costs			
Nil			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	19	102
Interest applicable on Interest Free (& favourable) Loans to Council		141	-
Total Other Borrowing Costs		160	102
TOTAL BORROWING COSTS EXPENSED		1,088	623

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		2,577	3,165
Contractor & Consultancy Costs		3,140	2,317
Auditors Remuneration			
i. Audit Services - Council's Auditor		22	21
Legal Expenses:			
- Legal Expenses - Planning & Development		126	84
- Legal Expenses - Other		114	32
Operating Leases:			
Waste Collection Contract		2,253	2,040
Equipment Hire		613	187
Town Planning Consultant		28	14
Cleaning of Council Buildings		68	60
Beach Inspectors		52	38
Other -Ordinance Officer		99	98
Other - Estuary Management Plan Consultant		63	94
Total Materials & Contracts		9,155	8,150
TOTAL MATERIALS & CONTRACTS		9,155	8,150

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	818	875
Office Equipment		-	-	107	135
Furniture & Fittings		-	-	14	14
Land Improvements (depreciable)		-	-	15	15
Buildings - Non Specialised		-	-	621	617
Buildings - Specialised		-	-	316	311
Other Structures		-	-	172	159
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,613	3,588
- Stormwater Drainage		-	-	198	192
- Water Supply Network		-	-	934	869
- Sewerage Network		-	-	867	806
Other Assets					
- Tips		-	-	(275)	175
Total Depreciation & Impairment Costs		-	-	7,400	7,756
less: Capitalised Costs		-	-	(115)	(103)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	7,285	7,653

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		109	127
Bad & Doubtful Debts		2	27
Bank Charges		48	45
Contributions/Levies to Other Levels of Government		59	74
- Bushfire Fighting Fund		213	220
Councillor Expenses - Mayoral Fee		17	20
Councillor Expenses - Councillors' Fees		80	83
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		47	62
Donations, Contributions & Assistance to other organisations (Section 3)		403	270
- Donations, Contributions & Assistance - Library Committee		220	204
- Donations, Contributions & Assistance - SES Vehicle Expenses		17	42
Electricity & Heating		539	475
Insurance		624	527
Office Expenses (including computer expenses)		323	156
Postage		39	40
Printing & Stationery		59	49
Street Lighting		179	208
Telephone & Communications		83	77
Valuation Fees		45	37
Other - Insurance Excess PI/PL		10	9
Total Other Expenses		3,116	2,752
TOTAL OTHER EXPENSES		3,116	2,752

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Plant & Equipment			
Proceeds from Disposal		43	349
less: Carrying Amount of P&E Assets Sold		(58)	(51)
Net Gain/(Loss) on Disposal		(15)	298
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Written Off		(2,050)	(1,927)
Net Gain/(Loss) on Disposal		(2,050)	(1,927)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,065)	(1,629)

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		20	-	3,008	-
Total Cash & Cash Equivalents		20	-	3,008	-
Investment Securities (Note 6b)					
Nil					
- Managed Funds		5,177	-	9,302	-
- Long Term Deposits		33,440	-	16,611	-
- Equity Linked Notes		961	-	948	-
- CPPIs		410	-	382	-
- Tcorp		891	-	836	-
Total Investment Securities		40,879	-	28,079	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		40,899	-	31,087	-

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"		20	-	3,008	-
Investments					
Nil					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)			-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	7,439		11,468	-
b. "Held to Maturity"	6(b-ii)	33,440	-	16,611	-
c. "Loans & Receivables"	6(b-iii)			-	-
d. "Available for Sale"	6(b-iv)			-	-
Investments		40,879	-	28,079	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010	2010	2009	2009
	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"				
Nil				
Balance at the Beginning of the Year	11,468	-	15,522	-
Revaluations (through the Income Statement)	945	-	(854)	-
Additions	18,428	-	2,880	-
Disposals (sales & redemptions)	(23,402)	-	(6,080)	-
Balance at End of Year	7,439	-	11,468	-
Comprising:				
- Managed Funds	5,177	-	9,302	-
- Equity Linked Notes	961	-	948	-
- CPPIs	410	-	382	-
- Other Long Term Maturity Financial Assets	891	-	836	-
Total	7,439	-	11,468	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Nil				
Balance at the Beginning of the Year	16,611	-	8,723	-
Additions	20,979	-	7,888	-
Disposals (sales & redemptions)	(4,150)	-	-	-
Balance at End of Year	33,440	-	16,611	-
Comprising:				
- Long Term Deposits	33,440	-	16,611	-
Total	33,440	-	16,611	-
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 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	40,899	-	31,087	-
attributable to:				
External Restrictions (refer below)	35,212	-	24,239	-
Internal Restrictions (refer below)	4,000	-	3,995	-
Unrestricted	1,687	-	2,853	-
	<u>40,899</u>	<u>-</u>	<u>31,087</u>	<u>-</u>

2010	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Nil				
Specific Purpose Unexpended Loans-General (A)	346	2,338	(1,352)	1,332
Specific Purpose Unexpended Loans-Water (A)	553	222	-	775
Specific Purpose Unexpended Loans-Sewer (A)	3,050	8,753	-	11,803
Security Deposits	601	138		739
Prepaid Private Works	52			52
External Restrictions - Included in Liabilities	<u>4,602</u>	<u>11,451</u>	<u>(1,352)</u>	<u>14,701</u>

External Restrictions - Other

Nil				
Developer Contributions - General (D)	2,051	268	(698)	1,621
Developer Contributions - Water Fund (D)	2,496	300	-	2,796
Developer Contributions - Sewer Fund (D)	1,848	202	-	2,050
Specific Purpose Unexpended Grants (F)	1,894	-	(213)	1,681
Water Supplies (G)	5,797	1,044	-	6,841
Sewerage Services (G)	4,696	142	-	4,838
Domestic Waste Management (G)	855	456	(627)	684
External Restrictions - Other	<u>19,637</u>	<u>2,412</u>	<u>(1,538)</u>	<u>20,511</u>
Total External Restrictions	<u>24,239</u>	<u>13,863</u>	<u>(2,890)</u>	<u>35,212</u>

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Nil				
Plant & Vehicle Replacement	198			198
Employees Leave Entitlement	1,149	375	(89)	1,435
Plant Operations	88		(88)	-
Office Equipment	189	10	(38)	161
Lawn Cemetery	14	8	(4)	18
Waste Management	455	114	(217)	352
Land Development	502		(236)	266
On Site Sewer Management	13			13
Public Road/Reserve Sales	80			80
Election	68		(35)	33
Property Self Insurance	109			109
Swimming Pool	60	15		75
Council Chambers Upkeep	106		(40)	66
Tourist Centre Upkeep	20			20
Saleyards Upkeep	21	5		26
Environment Rate Unallocated	327	307	(265)	369
Stormwater Management	490		(40)	450
Other Contributions	106		(100)	6
Expenditure Savings Re-allocated	-	366	(43)	323
Total Internal Restrictions	3,995	1,200	(1,195)	4,000
TOTAL RESTRICTIONS	28,234	15,063	(4,085)	39,212

- 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 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		736	-	692	-
Interest & Extra Charges		111	-	97	-
User Charges & Fees		1,059	-	913	-
Accrued Revenues					
- Interest on Investments		475	-	105	-
Government Grants & Subsidies		1,035	-	1,169	-
Deferred Debtors		6	166	6	173
Other Debtors - General		384	-	413	-
Other Debtors (specify if material)		22	-	12	-
Total		3,828	166	3,407	173
less: Provision for Impairment					
Nil					
Rates & Annual Charges		(18)	-	(17)	-
User Charges & Fees		(2)	-	(2)	-
Total Provision for Impairment - Receivables		(20)	-	(19)	-
TOTAL NET RECEIVABLES		3,808	166	3,388	173
Externally Restricted Receivables					
Nil					
Water Supply					
- Rates & Availability Charges		783	-	701	-
- Other		204	-	256	-
Sewerage Services					
- Rates & Availability Charges		225	-	724	-
- Other		545	-	18	-
Domestic Waste Management		209	-	222	-
Total External Restrictions		1,966	-	1,921	-
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		1,842	166	1,467	173
TOTAL NET RECEIVABLES		3,808	166	3,388	173

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 is charged on overdue rates & charges at 9.00% (2009 10.00%).
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 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		288	41	190	23
Stores & Materials		601	-	582	-
Total Inventories		889	41	772	23
Other Assets					
Prepayments		354	-	306	-
Total Other Assets		354	-	306	-
TOTAL INVENTORIES & OTHER ASSETS		1,243	41	1,078	23
Details for Real Estate Development					
Residential		235	23	184	23
Industrial/Commercial		53	18	6	-
Total Real Estate for Resale		288	41	190	23
(Valued at the lower of cost and net realisable value)					
Represented by:					
Development Costs		288	41	190	23
Total Costs		288	41	190	23
less: Provision for Under Recovery				-	-
Total Real Estate for Resale		288	41	190	23
Movements:					
Real Estate assets at beginning of the year		190	23	70	-
- Purchases and other costs		98	18	120	23
Total Real Estate for Resale		288	41	190	23

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets (continued)

\$ '000	2010		2009	
	Current	Non Current	Current	Non Current
(i) Externally Restricted Assets				
Water				
Nil				
Stores & Materials	58	-	57	-
Total Water	58	-	57	-
Sewerage				
Nil				
Total Sewerage	-	-	-	-
Domestic Waste Management				
Nil				
Total Domestic Waste Management	-	-	-	-
Other				
Nil				
Total Other	-	-	-	-
Total Externally Restricted Assets	58	-	57	-
Total Internally Restricted Assets				
Total Unrestricted Assets	1,185	41	1,021	23
TOTAL INVENTORIES & OTHER ASSETS	1,243	41	1,078	23

(ii) Other Disclosures**(a) 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;

	2010	2009
Real Estate for Resale	23	23
	23	23

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

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

(c) 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 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009				Asset Movements during the Reporting Period						as at 30/6/2010			
	At	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	
	Cost													
Capital Work in Progress	7,048	-	4	7,044	8,234			(1,666)		13,616	-	4	13,612	
Plant & Equipment	-	10,023	6,021	4,002	52	(58)	(818)			-	9,867	6,689	3,178	
Office Equipment	-	1,130	745	385	87		(107)			-	1,218	853	365	
Furniture & Fittings	-	369	305	64	9		(14)			-	377	318	59	
Plant & Equipment (under Finance Lease)	-	-	-	-	-		-			-	-	-	-	
Land:														
- Operational Land	-	9,817	-	9,817	25	(40)				-	9,802	-	9,802	
- Community Land	5,677	-	-	5,677	292	(160)				5,809	-	-	5,809	
- Land under Roads (pre 1/7/08)	-	-	-	-	-					-	-	-	-	
- Land under Roads (post 30/6/08)	-	-	-	-	-					-	-	-	-	
- Land Improvements - non depreciable	-	-	-	-	-					-	-	-	-	
Land Improvements - depreciable	1,133	-	526	607	75	(34)	(15)			1,091	-	458	633	
Buildings - Non Specialised	-	30,155	15,236	14,919	125	(302)	(621)			-	29,302	15,181	14,121	
Buildings - Specialised	-	14,650	7,010	7,640	138		(316)			-	14,787	7,325	7,462	
Other Structures	7,276	-	2,346	4,930	886		(172)	450		8,612	-	2,518	6,094	
Infrastructure:														
- Roads, Bridges, Footpaths	151,437	-	65,267	86,170	3,981	(1,514)	(3,613)	889	10,089	-	169,199	73,197	96,002	
- Bulk Earthworks (non-depreciable)	17,315	-	-	17,315	-				866	-	18,181	-	18,181	
- Stormwater Drainage	11,505	-	3,678	7,827	90		(198)	(3,571)	4,626	-	24,529	15,755	8,774	
- Water Supply Network	-	69,719	30,504	39,215	273		(934)		1,176	-	72,083	32,353	39,730	
- Sewerage Network	-	80,732	24,426	56,306	334		(867)	298	1,698	-	83,797	26,028	57,769	
Other Assets:														
- Heritage Collections	499	-	-	499	-		-			499	-	-	499	
- Library Books	-	-	-	-	-		-			-	-	-	-	
- Other	15	-	14	1	-					16	-	15	1	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)														
- Tip Asset	1,500	-	575	925	300		275	(1,200)		600	-	300	300	
- Quarry Asset	-	-	-	-	-					-	-	-	-	
- Other Assets	-	-	-	-	-					-	-	-	-	
TOTAL INFRASTRUCTURE,														
PROPERTY, PLANT & EQUIP.	203,405	216,595	156,657	263,343	14,901	(2,108)	(7,400)	(4,800)	18,455	30,243	433,142	180,994	282,391	

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Actual				Actual			
	2010				2009			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	4,153		4	4,149	3,240	-	4	3,236
Plant & Equipment	244		136	108	244	-	96	148
Office Equipment	19		19	-	19	-	19	-
Furniture & Fittings	2		2	-	2	-	1	1
Land								
- Council Owned (Freehold)		592		592	-	592	-	592
Buildings		270	109	161	-	270	104	166
Other Structures	4		1	3	4	-	-	4
Infrastructure		72,084	32,353	39,731		69,719	30,504	39,215
Total Water Supply	4,422	72,946	32,624	44,744	3,509	70,581	30,728	43,362
Sewerage Services								
WIP	6,301			6,301	1,248	-	-	1,248
Plant & Equipment	415		254	161	435	-	240	195
Office Equipment	7		7	-	7	-	7	-
Furniture & Fittings	7		7	-	7	-	7	-
Land								
- Council Owned (Freehold)		1,393		1,393	-	1,393	-	1,393
- Council Controlled		78		78	-	78	-	78
Buildings		476	171	305	-	476	163	313
Infrastructure		83,796	26,028	57,768	-	80,732	24,426	56,306
Total Sewerage Services	6,730	85,743	26,467	66,006	1,697	82,679	24,843	59,533
TOTAL RESTRICTED I,PP&E	11,152	158,689	59,091	110,750	5,206	153,260	55,571	102,895

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

\$ '000	Notes	Actual 2010	Actual 2009
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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 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,190	-	1,978	-
Payments Received In Advance		58	-	58	-
Accrued Expenses:					
- Borrowings		203	-	173	-
- Salaries & Wages		-	-	113	-
- Other Expenditure Accruals		20	-	12	-
Security Bonds, Deposits & Retentions		241	497	61	540
Government Departments		8	-	8	-
Overpaid Rates		109	-	105	-
Other		72	-	50	-
Total Payables		1,901	497	2,558	540
Borrowings					
Bank Overdraft		-	-	1,191	-
Loans - Secured ¹		1,980	24,716	630	13,923
Total Borrowings		1,980	24,716	1,821	13,923
Provisions					
Employee Benefits;					
Annual Leave		718	-	668	-
Sick Leave		904	-	869	-
Long Service Leave		1,519	97	1,398	59
Other Leave		132	-	114	-
Sub Total - Aggregate Employee Benefits		3,273	97	3,049	59
Asset Remediation/Restoration (Future Works) ²⁶		-	685	-	1,804
Total Provisions		3,273	782	3,049	1,863
Total Payables, Borrowings & Provisions		7,154	25,995	7,428	16,326

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	118	3,679	90	2,626
Sewer	1,595	13,084	216	5,172
Other	791	-	653	-
Liabilities relating to externally restricted assets	2,504	16,763	959	7,798
Internally Restricted Assets				
Nil	-	-	-	-
Liabilities relating to internally restricted assets	-	-	-	-
Total Liabilities relating to restricted assets	2,504	16,763	959	7,798

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 2010

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

\$ '000	2010	2009
(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	2,439	2,082
	<u>2,439</u>	<u>2,082</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	668	-	(427)	477		718
Sick Leave	869	-	(244)	279		904
Long Service Leave	1,457	-	(87)	246		1,616
Other Leave	114	18				132
Asset Remediation	1,804	(1,138)		19		685
TOTAL	4,912	(1,120)	(758)	1,021	-	4,055

- 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. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. 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 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	20	3,008
Less Bank Overdraft	10	-	(1,191)
BALANCE as per the STATEMENT of CASH FLOWS		20	1,817
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		4,517	726
Adjust for non cash items:			
Depreciation & Amortisation		7,285	7,653
Net Losses/(Gains) on Disposal of Assets		2,065	1,629
Non Cash Capital Grants and Contributions		(741)	(3,556)
Impairment Losses Recognition - I,PP&E		-	-
Impairment (Reversal of previous losses) - I,PP&E		-	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		-	-
Investment Income relating to "Available for Sale" Investments sold		-	-
Reversal of prior period I,PP&E revaluation decrements costed DIRECT to the P&L		-	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(945)	854
- Investment Properties		-	-
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)		(3,366)	-
- Interest Free Advances made by Council (Deferred Debtors)		-	-
- Write Offs relating to the Fair Valuation of I,PP&E		-	-
- Other (Revaluation of Tip Provision refer Note 9)		1,889	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		-	-
- Interest on all fair value adjusted Interest Free Advances made by Council		-	-
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		141	-
Unwinding of Discount Rates on Reinstatement Provisions		-	102
Share of Net (Profits) or Losses of Associates/Joint Ventures		-	-
Net Loss/(Gain) on Council Restructure/Amalgamations (excl. Cash)		-	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(421)	(638)
Increase/(Decrease) in Provision for Doubtful Debts		1	-
Decrease/(Increase) in Inventories		(19)	(149)
Decrease/(Increase) in Other Current Assets		(48)	8
Increase/(Decrease) in Payables		(788)	470
Increase/(Decrease) in accrued Interest Payable		30	126
Increase/(Decrease) in other accrued Expenses Payable		(105)	-
Increase/(Decrease) in Other Current Liabilities		163	90
Increase/(Decrease) in Employee Leave Entitlements		262	308
Increase/(Decrease) in Other Provisions		(1,119)	(175)
NET CASH PROVIDED FROM/(USED IN)		8,801	7,448
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		8,801	7,448

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Subsidised Works DUES Construction		18	39
Bushfire Grants		132	210
S94 Contributions "in kind"			1,709
Other Non Cash Items - Reserves not previously included in register		291	1,584
Other Non Cash Items - Tip Remediation		300	14
Total Non-Cash Investing & Financing Activities		741	3,556

(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.

(e) Net Cash Flows Attributable to Discontinued Operations

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(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			
Other (Structures)		12,000	19,500
Total Commitments		12,000	19,500
These expenditures are payable as follows:			
Within the next year		12,000	7,860
Later than one year and not later than 5 years			11,640
Total Payable		12,000	19,500
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	19,500
Unexpended Loans		12,000	-
Total Sources of Funding		12,000	19,500
(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		19,709	21,621
Cleaning Services		54	108
Audit Services		84	105
Consultancy Services		225	449
Ordinance Inspector		85	170
Other		150	196
Total Commitments		20,307	22,649
These expenditures are payable as follows:			
Within the next year		2,342	2,517
Later than one year and not later than 5 years		7,812	8,068
Later than 5 years		10,153	12,064
Total Payable		20,307	22,649

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(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		395	160
Later than one year and not later than 5 years		1,850	280
Later than 5 years		340	-
Total Payable		2,585	440

(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 2010

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

\$ '000	Amounts	Indicator	Prior Periods	
	2010	2010	2009	2008
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>8,691</u>	3.93 : 1	2.12:1	1.73:1
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>2,211</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,645</u>	6.19%	5.66%	4.69%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>26,570</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>13,445</u>	38.01%	42.28%	53.92%
Revenue from Continuing Operations	<u>35,371</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>829</u>	5.79%	5.81%	6.23%
Rates, Annual & Extra Charges Collectible	<u>14,329</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>4,982</u>	76.07%	60.14%	61.18%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>6,549</u>			

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 2010**Note 14. Investment Properties**

		Actual	Actual
\$ '000	Notes	2010	2009

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 2010

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 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	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	20	3,008		3,008
Investments				
- "Designated At Fair Value on Initial Recognition"	7,439	11,468	7,439	11,468
- "Held to Maturity"	33,440	16,611	33,463	16,611
Receivables	3,974	3,561	3,974	3,561
Total Financial Assets	44,873	34,648	44,876	34,648
Financial Liabilities				
Bank Overdraft	-	1,191	3	1,191
Payables	2,340	3,040	2,340	3,040
Loans / Advances	26,696	14,553	26,696	14,553
Total Financial Liabilities	29,036	18,784	29,039	18,784

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt 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 2010

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 Section manages it's Cash & Investments portfolio with the assistance of independent advisors.

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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 counterparty (to an investment) 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 (during 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
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
2009				
Possible impact of a 10% movement in Market Values	1,147	1,147	1,147	1,147
Possible impact of a 1% movement in Interest Rates	281	281	281	281

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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:

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	648	2,490	460	1,961
Overdue	88	768	232	927
	<u>736</u>	<u>3,258</u>	<u>692</u>	<u>2,888</u>
(ii) Movement in Provision for Impairment of Receivables			2010	2009
Balance at the beginning of the year			19	19
+ new provisions recognised during the year			1	
Balance at the end of the year			<u>20</u>	<u>19</u>

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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.

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

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		
2010									
Bank Overdraft	-							-	-
Trade/Other Payables	738	782	497					2,017	2,340
Loans & Advances		705	689	689	778	760	23,075	26,696	26,696
Total Financial Liabilities	738	1,487	1,186	689	778	760	23,075	28,713	29,036
2009									
Bank Overdraft	1,191	-	-	-	-	-	-	1,191	1,191
Trade/Other Payables	601	1,899	540	-	-	-	-	3,040	3,040
Loans & Advances	-	267	327	318	341	357	12,923	14,533	14,553
Total Financial Liabilities	1,792	2,166	867	318	341	357	12,923	18,764	18,784

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.2%	1,191	1.3%
Trade/Other Payables	2,340		3,040	
Loans & Advances - Fixed Interest Rate	26,696	7.0%	14,553	7.0%
	29,036		18,784	

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 16. Material Budget Variations

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 2009/10 financial year including transactions between activity areas and entities eliminated from the actual figure, and does not include council approved variations throughout the year.

In contrast to the previous financial year, Council experienced a substantial 213% improvement or \$1,586,000 gain in investment revenue to the original budgeted figure. This reflects the improvement in the general investment environment with Council's remaining managed funds recovering losses from the previous year along with moderate increases in cash investment rates throughout the year.

Other revenues increased by \$67,000 on the original budget. The contributing items were \$28,000 in parking revenue due to an increase in compliance activity, \$20,000 in legal fees recovered due to an increase in debt recovery action and \$15,000 in additional mobile phone tower rental.

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 55% or \$2,721,000 on the budgeted figure. This was primarily due to funding received for flood damage works totaling \$2,450,000 related to the March, April, May, October and November floods of 2009. Also additional grants of \$175,000 were received for environmental protection works supplementing Council's environmental levy program, community services grants of \$80,000 (NSW Healthy Communities) and \$11,000 (Skate Safe) and additional noxious weeds grants of \$54,000.

In relation to capital Grants & Contributions a decrease of 34% or \$2,321,000 occurred this was due to the delay in the water storage project and Nambucca sewerage augmentation works where relating subsidies were not required to be claimed from the Department of Water & Energy.

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.

Actual borrowing costs were reduced to those forecast in the original budget by \$180,000 equating to 13% as an interest free loan was secured through the NSW Local Infrastructure Fund 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.

A decrease of \$398,000 or 11% to the original budget occurred in Other Expenses and was primarily a result of a revision to Council's environmental levy plan and associated subsidies received in relation to these particular works.

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 and also through a review of the asset register identifying assets no longer owned by Council and not shown as disposals in previous years.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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	317	124	-	15	(137)	-	319	445	(458)	306	-
Traffic Facilities	360	8	-	21	(30)	-	359	73	-	432	-
Parking	63	-	-	3	-	-	66	15	-	81	-
Open Space	1,299	64	-	64	(449)	-	978	1,058	(1,925)	111	-
Surf Club Equipment	13	3	-	1	(5)	-	12	44	(47)	9	-
Section 94 Planner	-	(80)	-	-	(32)	-	(112)	-	-	(112)	-
S94 Contributions - under a Plan	2,052	119	-	104	(653)	-	1,622	1,635	(2,430)	827	-
Total S94 Revenue Under Plans	2,052	119	-	104	(653)	-	1,622				-
S64 Contributions	4,343	285	-	262	(45)	-	4,845				-
Total Contributions	6,395	404	-	366	(698)	-	6,467	1,635	(2,430)	827	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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	317	124	15	15	(137)		319	445	(458)	306	
Traffic Facilities	360	8	21	21	(30)		359	73	-	432	
Parking	63		3	3			66	15	-	81	
Total	740	132	39	39	(167)	-	744	533	(458)	819	-

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	1,299	64	64	64	(449)		978	1,058	(1,925)	111	
Total	1,299	64	64	64	(449)	-	978	1,058	(1,925)	111	-

S94 CONTRIBUTIONS - UNDER A PLAN

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	13	3	1	1	(5)		12	44	(47)	9	
Total	13	3	1	1	(5)	-	12	44	(47)	9	-

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	-	(80)	-	-	(32)		(112)	-	-	(112)	
Total	-	(80)	-	-	(32)	-	(112)	-	-	(112)	-

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 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 2010 was \$537,140. 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 30th June 2010 a deficit still exists. Effective from 1 July 2009, employers are 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 \$947,913 as at 30 June 2010.

(ii) 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.

(iii) 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.

(iv) 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 of 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 2010

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

\$ '000

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

(ii) 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 30/6/10.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 - Interest in Joint Ventures.

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.

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

Council has no interest in any Joint Venture Entities.

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

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 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		211,461	210,735
a. Correction of Prior Period Errors	20 (c)	(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		4,517	726
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		342	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u>213,409</u>	<u>211,461</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		81,990	63,877
Total		<u>81,990</u>	<u>63,877</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		63,877	61,392
- Revaluations for the year	9(a)	18,455	2,485
- Transfer to Retained Earnings for Asset disposals		(342)	-
- Balance at End of Year		<u>81,990</u>	<u>63,877</u>
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		-	-
- Balance at End of Year		-	-
Other Reserves			
- Opening Balance		-	-
- Balance at End of Year		-	-
TOTAL VALUE OF RESERVES		<u>81,990</u>	<u>63,877</u>

(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 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period			
Rubbish Tip Provision Reduction			-
- the amount of the correction in each prior period presented		689	-
PLUS:			
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
- Roads - Bridges Asset Class			
- Footpaths, K & G & Carparks Asset Class			
- Stormwater 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 30/6/09 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/09 to reflect the correct value of accumulated depreciation;			
Roads - Bridges Asset Class	increase to accumulated depreciation	(2,381)	
Footpaths, K & G & Carparks Asset Class	increase to accumulated deprec	(3,571)	
Stormwater Asset Class	decrease to accumulated depreciation	2,352	
This adjustment resulted in net decrease in Council's Accumulated Surplus as at 30/6/09.			
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 Closing Equity - 30/6/09	(relating to adjustments for the 30/6/09 year end)	(2,911)	
Total Prior Period Adjustments - Prior Period Errors		(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 2010

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual	Actual
\$ '000	2010	2010	2010	2010
<u>Continuing Operations</u>	Other	Water	Sewer	General¹
Income from Continuing Operations				
Rates & Annual Charges	-	432	2,155	10,858
User Charges & Fees	-	1,888	525	1,390
Interest & Investment Revenue	-	540	3,780	1,136
Other Revenues	-	156	81	184
Grants & Contributions provided for Operating Purposes	-	72	66	7,571
Grants & Contributions provided for Capital Purposes	-	316	1,521	2,700
Other Income				
Net Gains from Disposal of Assets	-	-	2	(2)
Total Income from Continuing Operations	-	3,404	8,130	23,837
Expenses from Continuing Operations				
Employee Benefits & on-costs	-	789	955	6,401
Borrowing Costs	-	180	501	407
Materials & Contracts	-	723	1,133	7,299
Depreciation & Amortisation	-	978	914	5,393
Other Expenses	-	-	-	3,116
Net Losses from the Disposal of Assets	-	-	-	2,065
Total Expenses from Continuing Operations	-	2,670	3,503	24,681
Operating Result from Continuing Operations	-	734	4,627	(844)
<u>Discontinued Operations</u>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
Net Operating Result for the Year	-	734	4,627	(844)
Net Operating Result attributable to each Council Fund	-	734	4,627	(844)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	418	3,106	(3,544)

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 charges & recoveries made between the Funds.

Nambucca Shire Council

Notes to the Financial Statements
as at 30 June 2010

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund	Actual	Actual	Actual	Actual
\$ '000	2010	2010	2010	2010
ASSETS	Other	Water	Sewer	General¹
Current Assets				
Investments		10,412	18,691	11,776
Receivables		879	245	2,684
Inventories		58	-	831
Other		-	-	354
Total Current Assets	-	11,349	18,936	15,665
Non-Current Assets				
Receivables		108	525	(467)
Inventories		-	-	41
Infrastructure, Property, Plant & Equipment		44,744	66,006	171,641
Total Non-Current Assets	-	44,852	66,531	171,215
TOTAL ASSETS	-	56,201	85,467	186,880
LIABILITIES				
Current Liabilities				
Payables		70	70	1,761
Borrowings		48	1,525	407
Provisions		-	-	3,273
Total Current Liabilities	-	118	1,595	5,441
Non-Current Liabilities				
Payables		-	-	497
Borrowings		3,679	13,084	7,953
Provisions		-	-	782
Total Non-Current Liabilities	-	3,679	13,084	9,232
TOTAL LIABILITIES	-	3,797	14,679	14,673
Net Assets	-	52,404	70,788	172,207
EQUITY				
Retained Earnings		29,182	45,571	138,656
Revaluation Reserves		23,222	25,217	33,551
Council Equity Interest	-	52,404	70,788	172,207
Minority Interests		-	-	-
Total Equity	-	52,404	70,788	172,207

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 2010

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

\$ '000	2010		2009	
	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 2010

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2010, 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 02/12/10.

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 2010.

(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 2010 and which are only indicative of conditions that arose after 30 June 2010.

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 \$54m 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 the identified work.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 24. Discontinued Operations

	Actual	Actual
\$ '000	2010	2009

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 2010

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 2010

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	
		2010	2009
Old Coast Road - Nambucca Heads	2011	685	1,804
Balance at End of the Reporting Period	10	<u>685</u>	<u>1,804</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	1,804	1,872
Amounts capitalised to new or existing assets:		
- Cell Three	300	-
Amortisation of discount (expensed to borrowing costs)	19	102
Expenditure incurred attributable to Provisions	(1,438)	(170)
Total - Reinstatement, rehabilitation and restoration provision	<u>685</u>	<u>1,804</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 2010

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

44 Princess Street
MACKSVILLE NSW 2447

Contact Details**Mailing Address:**

PO Box 177
MACKSVILLE NSW 2447

Telephone: 02 6568 2555

Facsimile: 02 6568 2201

Opening Hours

Monday to Friday - 8.30 am to 4.00 pm

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
P O 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 2010.

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(a) and 16 nor the non-mandatory disclosures in Note 21 and 13(b) to the financial statements 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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- (b) the general purpose financial statements:
 - (i) 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 2010 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd


Geoffrey W Allen
Principal

6 December 2010
92 Rusden Street Armidale

6 December 2010

The Mayor
Nambucca Shire Council
PO Box 177
MACKSVILLE 2447

Armidale

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Armidale NSW 2350

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30th JUNE 2010

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2010 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 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

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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(a) and 16 or the non-mandatory disclosures in Note 20 and 13(b) 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 report. 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 30th June 2010 included on Nambucca Shire Council's web site. Council is responsible for the integrity of the Council'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

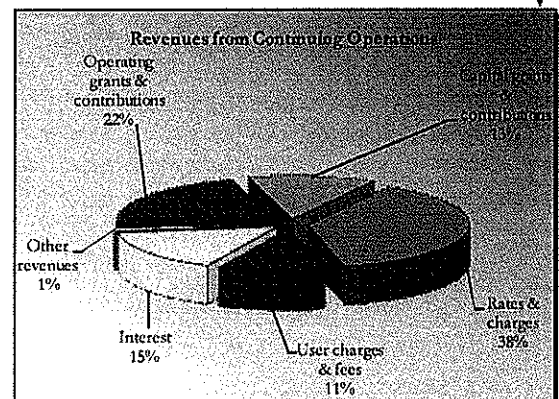
In accordance with Section 417(3) of the Local Government Act we make the following comments in relation to the results and financial trends.

The combined income statement for the year ended 30th June 2010 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2010	2010	2009	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	13,564	13,445	12,367	8.7%	-0.9%
User charges & fees	3,709	3,803	3,373	12.7%	2.5%
Interest	745	5,456	97	5524.7%	632.3%
Other revenues from ordinary activities	385	421	312	34.9%	9.4%
Grants & contributions for operating purposes	4,988	7,709	6,680	15.4%	54.6%
Grants & contributions For capital purposes	6,858	4,537	6,419	-29.3%	-33.8%
Total income from continuing operations	30,386	35,371	29,248	20.9%	16.4%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	8,678	8,145	7,715	5.6%	-6.1%
Borrowing costs	1,355	1,088	623	74.6%	-19.7%
Materials and contracts	5,539	9,155	8,150	12.3%	65.3%
Depreciation & amortisation	7,835	7,285	7,653	-4.8%	-7.0%
Other expenses from ordinary activities	3,514	3,116	2,752	13.2%	-11.3%
Loss from disposal of assets	0	2,065	1,629	26.8%	0.0%
Total Expenses from continuing operations	26,921	30,854	28,522	8.2%	14.6%
NET OPERATING RESULT FOR YEAR	3,465	4,517	726	522.2%	30.4%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(3,393)	(20)	(5,693)	-99.6%	-99.4%

The operating result of \$4.5m is after recognising grants and contributions for capital expenditure purposes of \$4.5m. 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 \$20,000 (2009: deficit \$5.7m).

Operating revenues increased by 20.9% this year due mainly to the fair value adjustment on the interest free loan received for the sewer augmentation project. Rates & annual charges and user charges & fees also increased during the year. Operating grants and contributions increased by 15.4% due to an increase in RTA contributions as a result of flood damage. Capital grants decreased during the year due to significant property subdivision capital dedications received in the prior year which was partially off-set by increases in capital grant funding for recreation, transport (other roads and bridges) and sewerage services.

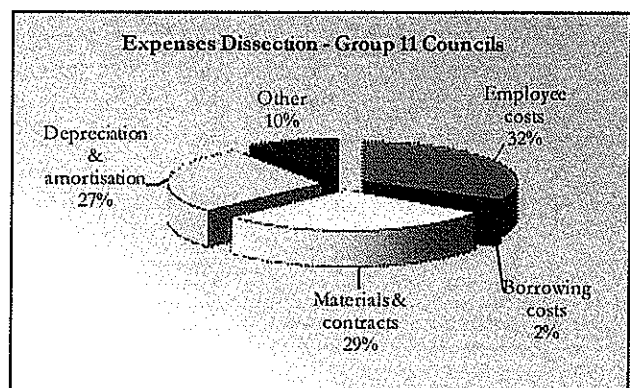
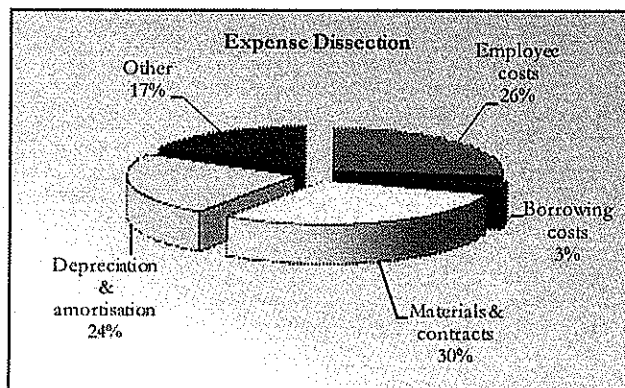


Operating expenses rose by 8.2% compared to 2009 mainly as a result of an increase in materials and contracts due to flood restoration work, increased borrowing costs due to the increase in borrowings and losses on disposal of assets due to the write-off of infrastructure assets.

The operating surplus for the year of \$4.5m compares with the original budget surplus of \$3.5m. The variance between the actual results and the original budget is primarily due to the following:

- Interest revenue (\$4.7m favourable to budget) – the variance is due to the fair value treatment on the interest free sewer augmentation loan and improved interest rates as a result of change in investment mix.
- Operating grants & contributions (\$2.7m favourable to budget) – the variance is due to the increased RTA contributions during the year for the 2009 flood damage and grant funding for recreation and transport (bridges & other roads).
- Capital grants & contributions (\$2.3m adverse to budget) – the variance is principally due to the delay in the water storage project and Nambucca sewerage augmentation works where relating subsidies were not required to be claimed from the Department of Water and Energy.
- Employee costs (\$0.5m favourable to budget) – the variance to budget relates to the mix of maintenance and capital work conducted during the year. A higher proportion of capital works were conducted during the year resulting in lower than budgeted staff costs.
- Materials and Contracts (\$3.6m adverse to budget) – the process of calling and accepting tenders during the year can result in substantial changes to the mix of self-constructed and contracted works. In addition, the increase in operating grants and contributions has resulted in increased raw materials & consumable and contractor & consultancy costs during the year.
- Loss on disposal of assets (\$2.1m adverse to budget) – the variance principally relates to write off of infrastructure assets, in particular roads and buildings.

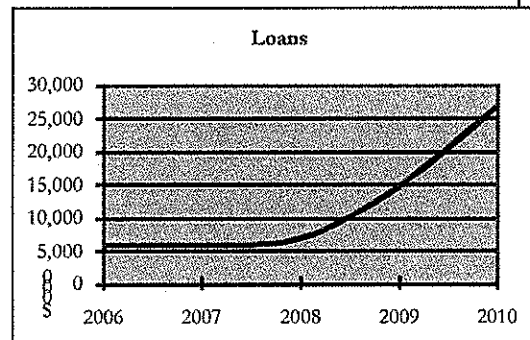
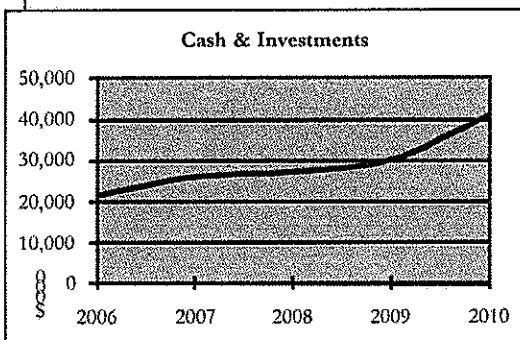
Below is a comparison of expense dissections for the Council for 2010 compared to the Group 11 council average (2009 data).



Council's expense dissection is in line with the average of the Group 11 Council's. The major variations are employee costs, depreciation and other expenses. Other expenses are higher than the average due to the impact of high donations and contributions to local and regional bodies. Employee costs are lower because Nambucca Council has less expenditure on employees and due to the mix between capital works and repairs and maintenance.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2010. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2010	2009	Variance
CURRENT ASSETS			
Cash and cash equivalents	20	3,008	-99.3%
Investments	40,879	28,079	45.6%
Receivables	3,808	3,388	12.4%
Inventories	889	772	15.2%
Other	354	306	15.7%
TOTAL CURRENT ASSETS	45,950	35,553	29.2%
CURRENT LIABILITIES			
Payables	1,901	2,558	-25.7%
Overdraft	-	1,191	0.0%
Borrowings	1,980	630	214.3%
Provisions	3,273	3,049	7.3%
TOTAL CURRENT LIABILITIES	7,154	7,428	-3.7%
NET CURRENT ASSETS	38,796	28,125	37.9%
NON-CURRENT ASSETS			
Receivables	166	173	-4.0%
Inventories	41	23	78.3%
Infrastructure, Property Plant & Equipment	282,391	263,343	7.2%
TOTAL NON-CURRENT ASSETS	282,598	263,539	7.2%
NON-CURRENT LIABILITIES			
Payables	497	540	-8.0%
Provisions	782	1,863	-58.0%
Borrowings	24,716	13,923	77.5%
TOTAL NON-CURRENT LIABILITIES	25,995	16,326	59.2%
NET ASSETS	295,399	275,338	7.3%



Cash and investments, after allowing for the bank overdraft, has increased to \$40.9m compared with \$29.9m as at 30th June 2009. This is due to continued strong cash inflows from operations, inflows from unused borrowing and lower capital expenditure during the year.

The total borrowings (excluding overdraft) increased by \$12.1m to \$26.7m due to additional borrowing to fund the Nambucca sewer augmentation project.

The increase in infrastructure, property, plant and equipment of \$19.0m is due to the revaluation of roads, bridges & footpath infrastructure assets in 2010 of \$13.6m and asset additions of \$14.9m which were offset by asset disposals of \$2.1m, and depreciation of \$7.4m.

The revaluation process ensures that asset condition and replacement values are assessed, which will then improve the depreciation methodology for infrastructure assets in future years. This will provide improved financial reporting regarding Council's ability to fund the deterioration in infrastructure assets reflected by depreciation each year. Council has now revalued a majority of its infrastructure assets, excluding community land and other structures.

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	11,349	18,936	893	14,772	45,950
Current Liabilities	118	1,595	-	5,441	7,154
Net Current Assets	11,231	17,341	893	9,331	38,796
Plus: Employee Entitlements Payable >12mths	-	-	-	2,439	2,439
Total Funds before Restrictions	11,231	17,341	893	11,770	41,235
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	2,796	2,050	-	1,621	6,467
Unexpended Loans	775	11,803	-	1,332	13,910
Security Deposits	-	-	-	739	739
Unexpended Grants	-	-	-	1,681	1,681
Prepaid Private Works	-	-	-	52	52
	3,571	13,853	-	5,425	22,849
NET FUNDS AVAILABLE	7,660	3,488	893	6,345	18,386
LESS Internal Restrictions	-	-	-	4,000	4,000
Net Funds After All Restrictions	7,660	3,488	893	2,345	14,386

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Plant Replacement	198	-	-	198
Waste Management	455	114	217	352
Swimming Pool	60	15	-	75
Office Equipment	189	10	38	161
Lawn cemetery	14	8	4	18
Onsite -sewer maintenance	13	-	-	13
Tourist centre & saleyards upkeep	41	5	-	46
Expenditure savings re-allocated	-	366	43	323
Land Development	502	-	236	266
Plant operations	88	-	88	-
Public Road/Reserves Sales	80	-	-	80
Employee Entitlements	1,149	375	89	1,435
Environmental rate unallocated	327	307	265	369
Property Self Insurance	109	-	-	109
Election	68	-	35	33
Council Chambers Upkeep	106	-	40	66
Stormwater Management	490	-	40	450
Other	106	-	100	6
	3,995	1,200	1,195	4,000

Council has set aside \$1.4m to fund the employee leave entitlements provision. This amount represents 42.5% of the total liability compared with 37% 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 \$2.3m (2009: \$1.5m) which is considered more than 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	2010	2009	2008	2007	2006
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	3.93	2.12	1.73	2.44	2.18
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	6.2%	5.7%	5.0%	6.0%	7.3%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	38.0%	42.3%	54.0%	51.0%	42.4%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.8%	5.8%	6.2%	5.2%	5.7%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	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 3.93 as at 30th June 2010 indicates that there is \$3.93 of unrestricted current assets for every \$1.00 of current liabilities and is an improvement on the prior year. Council's ratio of 3.93 compares to the average of 4.01 for category 11 Councils and is in line with the State average of 2.73 (2009 data).

The debt service ratio of 6.2% indicates that this 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 4.57% (2009 data).

The rate coverage ratio shows that 38.0% of the council's revenue is derived from rates and annual charges. This compares to the category 11 Council average 34.45% (2009 data).

The outstanding rate ratio of 5.8% compares favourably to the average of 8.16% for category 11 Councils but is slightly higher than the State average of 5.4% (2009 data).

The asset renewals ratio is designed to assist readers of the financial statements to assess Council's performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense).

The ratio for 2010 highlights that Council expended about 76 cents (2009: 60 cents) on asset renewals for every \$1.00 of estimated reduction in asset condition in the same period. In essence, the ratio is explaining that, in financial terms, Council's overall infrastructure has deteriorated during the year and over the past three years.

Overall the financial indicators show that Council's current financial standing as at 30th June 2010 is sound.

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
	2010	2009	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	32,528	27,948	16.4%
Proceeds from Assets Sales	43	349	-87.7%
Repayment from Deferred Debtors	7	27	-74.1%
Proceeds from Borrowings	15,998	8,305	92.6%
TOTAL RECEIPTS	48,576	36,629	32.6%
CASH OUTFLOWS			
Operating Payments	23,727	20,500	15.7%
Purchase of Assets	14,161	9,961	42.2%
Purchase of investments	11,855	4,688	152.9%
Repayment of Loans	630	524	20.2%
Other Payments	0	0	0.0%
TOTAL PAYMENTS	50,373	35,673	41.2%
TOTAL CASH MOVEMENT	-1,797	956	-288.0%
Cash and cash equivalents	20	1,817	-98.9%
Investments	40,879	28,079	45.6%
Total Cash & Investments on Hand	40,899	29,896	36.8%

Total cash and investments increased from \$29.9m in 2009 to \$40.9m mainly due to the increase in borrowings for the sewer augmentation project which will be spent in the coming years.

Cash outflows for purchase of assets included road and bridge construction totalling \$3.9m. This compares with the \$3.6m 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 \$8.2m work in progress on the Nambucca sewer augmentation project, land, buildings and structures of \$1.5m and water, stormwater and sewer infrastructure of \$0.7m.

Given also the low asset renewal ratio in 2010, Council needs to focus on improving its financial resources to manage its infrastructure needs in the future.

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 \$348,000 after allowing for depreciation of \$978,000.

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 2009/10 year were sufficient to fund depreciation of assets and the notional return on capital was 1.2% (2009: -0.4%).

The Net Current Asset position records a positive balance of \$11,231,000 (2009: \$9,606,000) which provides a strong working capital balance to meet medium term funding requirements.

SEWERAGE SERVICES

The Sewerage Services function recorded an operating surplus (before capital funding) of \$2,823,000 after allowing for depreciation of \$914,000.

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 2009/10 year were sufficient to fully fund depreciation of assets and the notional return on capital was 5% (2009: -0.3%).

The current level of Net Current Assets of \$17,341,000 (2009: \$9,574,000) is very sound and is considered more than adequate to meet medium term funding requirements and fund the sewer augmentation works required.

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 accounts 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 the additional work in relation to the revaluation of roads and related infrastructure and the conversion of the general ledger on 1 July 2010.

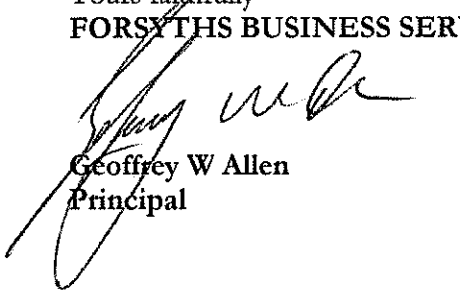


Matters of a technical nature have been documented in a management letter to the General Manager. We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

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

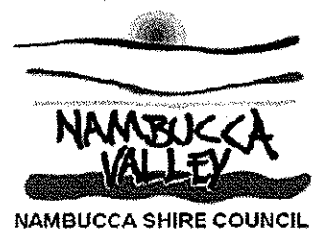


Geoffrey W Allen
Principal

Nambucca Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

“Nambucca Valley ~ Living at its best”



Nambucca Shire Council

Special Schedules

for the financial year ended 30 June 2010

Contents		Page
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 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	2,294	192	3	(2,099)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	774	352	34	(388)
Beach Control	104	8	3	(93)
Animal Control	175	17	-	(158)
Total Public Order & Safety	1,053	377	37	(639)
Health	287	176	-	(111)
Environment				
Noxious Plants and Insect/Vermin Control	255	114	-	(141)
Other Environmental Protection	840	234	53	(553)
Street Cleaning	277	-	-	(277)
Solid Waste Management	3,561	4,044	-	483
Other	61	-	-	(61)
Total Environment	4,994	4,392	53	(549)
Community Services and Education				
Children Services	95	157	-	62
Social Protection (Welfare)	305	123	-	(182)
Aged Persons and Disabled	35	16	-	(19)
Total Community Services & Education	435	296	-	(139)
Housing and Community Amenities				
Public Cemeteries	82	46	-	(36)
Public Conveniences	223	-	-	(223)
Town Panning	980	247	-	(733)
Street Lighting	319	-	-	(319)
Total Housing and Community Amenities	1,604	293	-	(1,311)
Water Supplies	2,556	2,336	317	97
Sewerage Services	3,416	2,648	1,520	752

Nambucca Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2010

\$'000				
Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	642	157	-	(485)
Museums	110	9	3	(98)
Community Centres and Halls	517	-	75	(442)
Other Cultural Services	296	21	-	(275)
Sporting Grounds and Venues	685	2	-	(683)
Swimming Pools	478	7	-	(471)
Parks & Gardens (Lakes)	595	477	406	288
Other Sport and Recreation	135	-	291	156
Total Recreation and Culture	3,458	673	775	(2,010)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	372	36	-	(336)
Total Mining, Manufacturing and Const.	372	36	-	(336)
Transport and Communication				
Urban Roads (UR) - Local	440	1,161	1,080	1,801
Urban Roads - Regional	36	-	-	(36)
Sealed Rural Roads (SRR) - Local	3,664	-	-	(3,664)
Sealed Rural Roads - Regional	297	53	-	(244)
Unsealed Rural Roads (URR) - Local	754	12	-	(742)
Unsealed Rural Roads (URR) - Regional	1,289	-	-	(1,289)
Bridges on UR - Local	525	-	-	(525)
Bridges on SRR - Local	639	13	90	(536)
Bridges on SRR - Regional	47	-	140	93
Bridges on URR - Local	359	-	-	(359)
Bridges on Regional Roads	5	-	-	(5)
Parking Areas	54	54	-	-
Footpaths	328	-	461	133
Aerodromes	366	-	-	(366)
Other Transport & Communication	906	2,552	31	1,677
Total Transport and Communication	9,709	3,845	1,802	(4,062)
Economic Affairs				
Other Economic Affairs	676	312	30	(334)
Total Economic Affairs	676	312	30	(334)
Totals – Functions	30,854	15,576	4,537	(10,741)
General Purpose Revenues⁽¹⁾		15,258	-	15,258
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT FOR YEAR	30,854	30,834	4,537	4,517

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Nambucca Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2010

\$'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	606	13,777	3,248	606	-	-	1,005	679	16,346
Other	24	146	12,750	24	-	-	10	1,301	11,595
Total Loans	630	13,923	15,998	630	-	-	1,015	1,980	27,941
Total Debt	630	13,923	15,998	630	-	-	1,015	1,980	29,921

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 (as per the GPFSs).

Nambucca Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]
for the financial year ended 30 June 2010

\$'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	48	129
Other Waste Management	90	12	32
Bridges	615	56	545
Totals	1,065	116	706

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 M'tment	Water	10/07/02	10/01/03	10	10/07/12	5.55%	360	48	129
Other Waste M'tment	Water	10/07/02	10/01/03	10	10/07/12	5.55%	90	12	32
Bridges	Sewer	30/06/06	30/06/06	20	30/06/26	6.50%	615	56	545
Totals							1,065	116	706

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 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	463	456
b. Engineering and Supervision	214	168
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	190	182
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	43	46
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	194	152
i. Maintenance expenses	58	36
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	81	88
- Other		
m. Operation expenses	233	255
n. Maintenance expenses	36	20
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	940	876
b. Plant and equipment	38	36
4. Miscellaneous expenses		
a. Interest expenses	180	49
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	14	14
5. Total expenses	2,684	2,378

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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges		
a. Access (including rates)	378	268
b. Usage charges	1,095	981
7. Non-residential charges		
a. Access (including rates)	54	44
b. Usage charges	793	655
8. Extra charges	5	5
9. Interest income	535	(67)
10. Other income	156	167
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	71	67
c. Other grants	-	-
12. Contributions		
a. Developer charges	150	458
b. Developer provided assets	-	261
c. Other contributions	167	48
13. Total income	<u>3,404</u>	<u>2,887</u>
14. Gain or loss on disposal of assets	-	10
15. Operating Result	<u>720</u>	<u>519</u>
15a. Operating Result (less grants for acquisition of assets)	720	519

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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	34	359
c. Renewals	239	200
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	36	5
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	<u>309</u>	<u>564</u>
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	<u>-</u>	<u>-</u>
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	5,332	5,297
b. Residential (unoccupied, ie. vacant lot)	565	557
c. Non-residential (occupied)	611	609
d. Non-residential (unoccupied, ie. vacant lot)	81	71
25. Number of ETs for which developer charges were received	36 ET	82 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 147,083	\$ 133,072

Nambucca Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
 for the financial year ended 30 June 2010

\$'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"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2009/10 (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 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	2,796	-	2,796
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	775	-	775
e. Sinking fund	-	-	-
f. Other	6,841	-	6,841
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	783	-	783
c. Other	96	108	204
32. Inventories	58	-	58
33. Property, plant and equipment			
a. System assets	-	44,744	44,744
b. Plant and equipment	-	-	-
34. Other assets	-	-	-
35. Total assets	<u>11,349</u>	<u>44,852</u>	<u>56,201</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	70	-	70
38. Borrowings			
a. Loans	48	3,679	3,727
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>118</u>	<u>3,679</u>	<u>3,797</u>
41. NET ASSETS COMMITTED	<u>11,231</u>	<u>41,173</u>	<u>52,404</u>
EQUITY			
42. Accumulated surplus			29,182
43. Asset revaluation reserve			<u>23,222</u>
44. TOTAL EQUITY			<u>52,404</u>
Note to system assets:			
45. Current replacement cost of system assets			77,232
46. Accumulated current cost depreciation of system assets			<u>(32,488)</u>
47. Written down current cost of system assets			44,744

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 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	530	450
b. Engineering and Supervision	136	174
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	
b. Maintenance expenses	100	118
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	116	112
e. Maintenance expenses	240	208
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	118	84
i. Effluent Management	4	12
j. Biosolids Management	32	19
k. Maintenance expenses	459	429
- Other		
l. Operation expenses	353	313
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	884	823
b. Plant and equipment	30	37
4. Miscellaneous expenses		
a. Interest expenses	501	234
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	15	14
5. Total expenses	3,518	3,027

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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges (including rates)	1,613	1,740
7. Non-residential charges		
a. Access (including rates)	434	151
b. Usage charges	525	540
8. Trade Waste Charges		
a. Annual Fees	25	-
b. Usage charges	84	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	3,780	(25)
11. Other income	80	106
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	66	67
c. Other grants	-	-
13. Contributions		
a. Developer charges	135	311
b. Developer provided assets	-	414
c. Other contributions	1,386	8
14. Total income	<u>8,128</u>	<u>3,312</u>
15. Gain or loss on disposal of assets	2	19
16. Operating Result	<u>4,612</u>	<u>304</u>
16a. Operating Result (less grants for acquisition of assets)	4,612	304

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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	18	12
b. Other new system assets	156	611
c. Renewals	160	17
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	231	185
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	565	825
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)	4,783	4,714
b. Residential (unoccupied, ie. vacant lot)	477	568
c. Non-residential (occupied)	571	559
d. Non-residential (unoccupied, ie. vacant lot)	73	54
26. Number of ETs for which developer charges were received	38 ET	101 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 133,351	\$ 133,242

Nambucca Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

\$'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"/>	
<p>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.</p>			
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 2009/10 (page 47 of Guidelines)			<input type="text"/>
<p>** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.</p>			
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 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,050	-	2,050
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	11,803	-	11,803
e. Sinking fund	-	-	-
f. Other	4,838	-	4,838
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	225	-	225
c. Other	20	525	545
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	66,006	66,006
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>18,936</u>	<u>66,531</u>	<u>85,467</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	70	-	70
39. Borrowings			
a. Loans	1,525	13,084	14,609
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>1,595</u>	<u>13,084</u>	<u>14,679</u>
42. NET ASSETS COMMITTED	<u>17,341</u>	<u>53,447</u>	<u>70,788</u>
EQUITY			
42. Accumulated surplus			45,571
44. Asset revaluation reserve			25,217
45. TOTAL EQUITY			<u>70,788</u>
Note to system assets:			
46. Current replacement cost of system assets			92,219
47. Accumulated current cost depreciation of system assets			(26,213)
48. Written down current cost of system assets			<u>66,006</u>

Nambucca Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2010

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) include 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. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast ⁽³⁾ 12/13	Forecast ⁽³⁾ 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	35,371	32,500	32,650	32,690	32,700
Expenses from continuing operations	30,854	31,570	31,620	31,630	31,680
Operating Result from Continuing Operations	<u>4,517</u>	<u>930</u>	<u>1,030</u>	<u>1,060</u>	<u>1,020</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	10,152	17,654	54,168	44,484	10,736
Replacement/Refurbishment of Existing Assets	4,706	4,981	5,141	4,708	3,227
Total Capital Budget	<u>14,858</u>	<u>22,635</u>	<u>59,309</u>	<u>49,192</u>	<u>13,963</u>
Funded by:					
- Loans	6,318	7,472	16,888	22,967	5,039
- Asset sales		327		2,000	
- Reserves	3,655	7,372	11,818	9,528	5,119
- Grants/Contributions	4,851	5,433	29,404	13,305	3,805
- Recurrent revenue	34	2,031	1,199	1,392	
- Other					
	<u>14,858</u>	<u>22,635</u>	<u>59,309</u>	<u>49,192</u>	<u>13,963</u>

Notes:

(1) From 09/10 Income Statement.

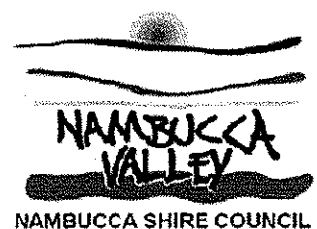
(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(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 2010

“Nambucca Valley ~ Living at its best”



Nambucca Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents	Page
1. Statement by Councillors & Management	1
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	2
- Income Statement of Sewerage Business Activity	3
- Balance Sheet of Water Supply Business Activity	4
- Balance Sheet of Sewerage Business Activity	5
3. Notes to the Special Purpose Financial Statements	6-8
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 2010

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:

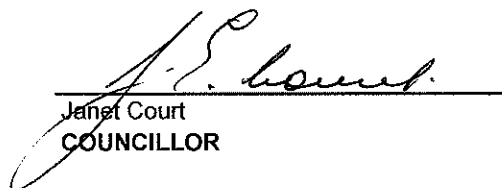
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 2 December 2010.



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 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	432	312	442
User charges	1,888	1,636	1,480
Interest	540	(62)	5
Grants and contributions provided for non capital purposes	72	116	109
Profit from the sale of assets	-	10	-
Other income	156	166	123
Total income from continuing operations	3,088	2,178	2,159
Expenses from continuing operations			
Employee benefits and on-costs	789	693	639
Borrowing costs	180	49	3
Materials and contracts	723	710	586
Depreciation and impairment	978	912	766
Loss on sale of assets	-	-	4
Calculated taxation equivalents	14	14	19
Debt guarantee fee (if applicable)	56	29	-
Total expenses from continuing operations	2,740	2,407	2,017
Surplus (deficit) from Continuing Operations before capital amounts	348	(229)	142
Grants and contributions provided for capital purposes	316	719	194
Surplus (deficit) from Continuing Operations after capital amounts	664	490	336
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	664	490	336
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(104)	-	(43)
SURPLUS (DEFICIT) AFTER TAX	560	490	293
plus Opening Retained Profits	28,462	27,943	27,607
plus/less: Prior Period Adjustments		-	
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	14	14	19
- Debt guarantee fees	56	29	-
- Corporate taxation equivalent	104	-	43
less:			
- Tax Equivalent Dividend paid	(14)	(14)	(19)
- Surplus dividend paid		-	-
Closing Retained Profits	29,182	28,462	27,943
Return on Capital %	1.2%	-0.4%	0.4%
Subsidy from Council	1,754	2,602	-
Calculation of dividend payable:			
Surplus (deficit) after tax	560	490	293
less: Capital grants and contributions (excluding developer contributions)	(166)	(261)	-
Surplus for dividend calculation purposes	394	229	293
Potential Dividend calculated from surplus	197	115	147

Nambucca Shire Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	2,155	1,891	2,123
User charges	525	540	453
Interest	3,780	(25)	(12)
Grants and contributions provided for non capital purposes	66	74	73
Profit from the sale of assets	2	19	-
Other income	81	107	142
Total income from continuing operations	6,609	2,606	2,779
Expenses from continuing operations			
Employee benefits and on-costs	955	949	905
Borrowing costs	501	234	172
Materials and contracts	1,133	970	832
Depreciation and impairment	914	860	988
Calculated taxation equivalents	15	14	20
Debt guarantee fee (if applicable)	268	20	25
Other expenses	-	-	-
Total expenses from continuing operations	3,786	3,047	2,942
Surplus (deficit) from Continuing Operations before capital amounts	2,823	(441)	(163)
Grants and contributions provided for capital purposes	1,521	725	170
Surplus (deficit) from Continuing Operations after capital amounts	4,344	284	7
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	4,344	284	7
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(847)	-	-
SURPLUS (DEFICIT) AFTER TAX	3,497	284	7
plus Opening Retained Profits	40,721	40,417	40,410
plus/less: Prior Period Adjustments	238	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	15	14	20
- Debt guarantee fees	268	20	25
- Corporate taxation equivalent	847	-	-
less:			
- Tax Equivalent Dividend paid	(15)	(14)	(45)
- Surplus dividend paid	-	-	-
Closing Retained Profits	45,571	40,721	40,417
Return on Capital %	5.0%	-0.3%	0.0%
Subsidy from Council	42	3,503	-
Calculation of dividend payable:			
Surplus (deficit) after tax	3,497	284	7
less: Capital grants and contributions (excluding developer contributions)	(1,386)	(414)	(2)
Surplus for dividend calculation purposes	2,111	-	5
Potential Dividend calculated from surplus	1,056	-	3

Nambucca Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Investments	10,412	8,846
Receivables	879	793
Inventories	58	57
Total Current Assets	11,349	9,696
Non-Current Assets		
Receivables	108	164
Infrastructure, property, plant and equipment	44,744	43,727
Total non-Current Assets	44,852	43,891
TOTAL ASSETS	56,201	53,587
LIABILITIES		
Current Liabilities		
Payables	70	54
Interest bearing liabilities	48	36
Total Current Liabilities	118	90
Non-Current Liabilities		
Interest bearing liabilities	3,679	2,626
Total Non-Current Liabilities	3,679	2,626
TOTAL LIABILITIES	3,797	2,716
NET ASSETS	52,404	50,871
EQUITY		
Retained earnings	29,182	28,462
Revaluation reserves	23,222	22,409
Council equity interest	52,404	50,871
TOTAL EQUITY	52,404	50,871

Nambucca Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Investments	18,691	9,594
Receivables	245	196
Total Current Assets	18,936	9,790
Non-Current Assets		
Receivables	525	546
Infrastructure, property, plant and equipment	66,006	59,499
Total non-Current Assets	66,531	60,045
TOTAL ASSETS	85,467	69,835
LIABILITIES		
Current Liabilities		
Payables	70	72
Interest bearing liabilities	1,525	144
Total Current Liabilities	1,595	216
Non-Current Liabilities		
Interest bearing liabilities	13,084	5,172
Total Non-Current Liabilities	13,084	5,172
TOTAL LIABILITIES	14,679	5,388
NET ASSETS	70,788	64,447
EQUITY		
Retained earnings	45,571	40,721
Revaluation reserves	25,217	23,726
Council equity interest	70,788	64,447
TOTAL EQUITY	70,788	64,447

Nambucca Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2010

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 2010

Note 1. Significant Accounting Policies (continued)

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 systems and is defined as a "Category 1" Business Unit.

b. Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system and is defined as a "Category 1" Business Unit.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of the business.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 5.10% at 30/6/10.

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 2010 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 2010

Note 2. Water Supply Business

Best Practice Management disclosure requirements

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

2010

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	70,000
(ii)	No of assessments multiplied by \$3/assessment	19,767
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	19,767
(iv)	Amounts actually paid for Tax Equivalents	13,852

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	196,800
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	177,903
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	916,000

2010 Surplus	393,600	2009 Surplus	229,000	2008 Surplus	293,400
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	177,903
(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 2010Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

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	2,869
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)]	%	74.34%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	44,744
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,512
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	273
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)]	%	0.85%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 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.

Nambucca Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2010

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	283,000
(ii)	No of assessments multiplied by \$3/assessment	17,712
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	17,712
(iv)	Amounts actually paid for Tax Equivalents	15,356

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,055,550
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	159,408
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	1,986,100

2010 Surplus	2,111,100	2009 Surplus	(130,000)	2008 Surplus	5,000
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	159,408
(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 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

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	4,348
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	66,006
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,088
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	334
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. WDC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.04%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

**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	7,219
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.90%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	607
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)]	%	1.56%
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 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2010

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)]	%	-8.74%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 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	5,303
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	137

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

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 2010 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 Department 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 Department 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

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

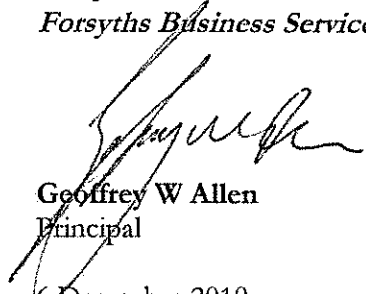
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

AUDIT OPINION

In our opinion, the Special Purpose Financial statements of the Nambucca Shire Council for the year ended 30th June 2010 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.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

6 December 2010
92 Rusden Street Armidale