

# Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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*"Nambucca Valley ~ Living at its best"*



# Nambucca Shire Council

## General Purpose Financial Statements for the financial year ended 30 June 2014

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Nambucca Shire Council.
- (ii) Nambucca Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 25 September 2014. Council has the power to amend and reissue these financial statements.
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## Nambucca Shire Council

### General Purpose Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 25 September 2014.**



Rhonda Hoban  
MAYOR



John Ainsworth  
COUNCILLOR



Michael Coulter  
GENERAL MANAGER



Craig Doolan  
RESPONSIBLE ACCOUNTING OFFICER

## Nambucca Shire Council

## Income Statement

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
17,189	Rates & Annual Charges	3a	16,963	15,547
5,168	User Charges & Fees	3b	5,620	4,880
1,209	Interest & Investment Revenue	3c	2,246	2,381
456	Other Revenues	3d	474	509
5,263	Grants & Contributions provided for Operating Purposes	3e f	6,101 <sup>2</sup>	9,114
11,311	Grants & Contributions provided for Capital Purposes	3e f	9,882	16,290
<b>Other Income:</b>				
117	Net gains from the disposal of assets	5	-	-
<b>40,713</b>	<b>Total Income from Continuing Operations</b>		<b>41,286</b>	<b>48,721</b>
<b>Expenses from Continuing Operations</b>				
9,823	Employee Benefits & On-Costs	4a	9,559	9,692
2,458	Borrowing Costs	4b	2,833	1,848
8,007	Materials & Contracts	4c	9,699	11,214
10,047	Depreciation & Amortisation	4d	10,083	10,074
3,441	Other Expenses	4e	3,191	3,228
	Net Losses from the Disposal of Assets	5	115	6,272
<b>33,776</b>	<b>Total Expenses from Continuing Operations</b>		<b>35,480</b>	<b>42,328</b>
<b>6,937</b>	<b>Operating Result from Continuing Operations</b>		<b>5,806</b>	<b>6,393</b>
<b>6,937</b>	<b>Net Operating Result for the Year</b>		<b>5,806</b>	<b>6,393</b>
6,937	Net Operating Result attributable to Council		5,806	6,393
<b>(4,374)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(4,076)</b>	<b>(9,897)</b>

<sup>1</sup> Original Budget as approved by Council (refer Note 16)

<sup>2</sup> Financial Assistance Grants for 2014 are lower reflecting a timing difference due to a change in how the grant is paid (refer Note 3.1a)

## Nambucca Shire Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>5,806</b>	<b>6,393</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,258	26
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(19)	(10)
Other Movements in reserves ( <a href="#">enter details here</a> )	20b (ii)	(83)	(3,355)
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>4,156</b>	<b>(3,339)</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
<b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b>		<b>-</b>	<b>-</b>
<b>Total Other Comprehensive Income for the year</b>		<b>4,156</b>	<b>(3,339)</b>
<b>Total Comprehensive Income for the Year</b>		<b>9,962</b>	<b>3,054</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>9,962</b>	<b>3,054</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>

## Nambucca Shire Council

Statement of Financial Position  
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	6,013	15,217
Investments	6b	31,752	30,618
Receivables	7	6,608	6,282
Inventories	8	1,237	995
Other	8	117	75
<b>Total Current Assets</b>		<b>45,727</b>	<b>53,187</b>
<b>Non-Current Assets</b>			
Inventories	8	21	21
Infrastructure, Property, Plant & Equipment	9	335,544	311,476
<b>Total Non-Current Assets</b>		<b>335,565</b>	<b>311,497</b>
<b>TOTAL ASSETS</b>		<b>381,292</b>	<b>364,684</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	1,749	4,383
Borrowings	10	2,611	2,382
Provisions	10	3,678	3,686
<b>Total Current Liabilities</b>		<b>8,038</b>	<b>10,451</b>
<b>Non-Current Liabilities</b>			
Payables	10	415	581
Borrowings	10	44,712	35,589
Provisions	10	514	495
<b>Total Non-Current Liabilities</b>		<b>45,641</b>	<b>36,665</b>
<b>TOTAL LIABILITIES</b>		<b>53,679</b>	<b>47,116</b>
<b>Net Assets</b>		<b>327,613</b>	<b>317,568</b>
<b>EQUITY</b>			
Retained Earnings	20	240,399	234,510
Revaluation Reserves	20	87,214	83,058
Council Equity Interest		327,613	317,568
Non-controlling Interests		-	-
<b>Total Equity</b>		<b>327,613</b>	<b>317,568</b>

## Nambucca Shire Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non-Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		234,510	83,058	317,568	-	317,568
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/13)		<b>234,510</b>	<b>83,058</b>	<b>317,568</b>	<b>-</b>	<b>317,568</b>
<b>c. Net Operating Result for the Year</b>		<b>5,806</b>		<b>5,806</b>	<b>-</b>	<b>5,806</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		4,258	4,258		4,258
- Impairment (loss) reversal relating to I,PP&E	20b (ii)		(19)	(19)		(19)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>4,239</b>	<b>4,239</b>	<b>-</b>	<b>4,239</b>
<b>Total Comprehensive Income</b> (c&d)		<b>5,806</b>	<b>4,239</b>	<b>10,045</b>	<b>-</b>	<b>10,045</b>
e. Distributions to/(Contributions from) Non-controlling Interests				-	-	-
f. Transfers between Equity		83	(83)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>240,399</b>	<b>87,214</b>	<b>327,613</b>	<b>-</b>	<b>327,613</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non-Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		220,897	86,397	307,294	-	307,294
a. Correction of Prior Period Errors	20 (c)	3,865	-	3,865	-	3,865
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/12)		<b>224,762</b>	<b>86,397</b>	<b>311,159</b>	<b>-</b>	<b>311,159</b>
<b>c. Net Operating Result for the Year</b>		<b>6,393</b>	<b>-</b>	<b>6,393</b>	<b>-</b>	<b>6,393</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	26	26	-	26
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(10)	(10)	-	(10)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>16</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Total Comprehensive Income</b> (c&d)		<b>6,393</b>	<b>16</b>	<b>6,409</b>	<b>-</b>	<b>6,409</b>
e. Distributions to/(Contributions from) Non-controlling Interests				-	-	-
f. Transfers between Equity		3,355	(3,355)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>234,510</b>	<b>83,058</b>	<b>317,568</b>	<b>-</b>	<b>317,568</b>

## Nambucca Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
17,189	Rates & Annual Charges		16,937	15,643
5,168	User Charges & Fees		5,505	4,376
1,209	Investment & Interest Revenue Received		1,855	1,890
16,574	Grants & Contributions		15,881	25,667
	Bonds, Deposits & Retention amounts received		-	45
456	Other		4,592	3,250
<b>Payments:</b>				
(9,421)	Employee Benefits & On-Costs		(9,569)	(9,719)
(8,007)	Materials & Contracts		(12,515)	(9,983)
(2,458)	Borrowing Costs		(2,371)	(1,323)
	Bonds, Deposits & Retention amounts refunded		(226)	-
(3,441)	Other		(7,759)	(6,852)
<b>17,269</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>12,330</b>	<b>22,994</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
5,664	Sale of Investment Securities		-	-
	Sale of Real Estate Assets		97	197
235	Sale of Infrastructure, Property, Plant & Equipment		11	147
<b>Payments:</b>				
	Purchase of Investment Securities		(689)	(7,644)
(32,904)	Purchase of Infrastructure, Property, Plant & Equipment		(29,885)	(22,155)
	Purchase of Real Estate Assets		(5)	(1)
<b>(27,005)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(30,471)</b>	<b>(29,456)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
11,955	Proceeds from Borrowings & Advances		11,455	13,935
<b>Payments:</b>				
(2,453)	Repayment of Borrowings & Advances		(2,518)	(2,121)
<b>9,502</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>8,937</b>	<b>11,814</b>
<b>(234)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(9,204)</b>	<b>5,352</b>
32,244	plus: Cash & Cash Equivalents - beginning of year	11a	15,217	9,865
<b>32,010</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>6,013</b>	<b>15,217</b>
Additional Information:				
	plus: Investments on hand - end of year	30	31,752	30,618
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>37,765</b>	<b>45,835</b>

Please refer to Note 11 for information on the following:

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



# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 1. Summary of Significant Accounting Policies

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

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

#### (a) Basis of preparation

##### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value; however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non-current assets e.g. Infrastructure, Property, Plant and Equipment that are accounted for at fair valuation.

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

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

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

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

##### (vii) Critical Accounting Estimates

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

##### **Critical judgements in applying Council's accounting policies**

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

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it 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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

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

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

#### Interest and Rents

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

Interest Income from Cash and Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (i) The Consolidated Fund

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

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

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

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

##### (ii) The Trust Fund

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

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

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

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

##### (iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

##### (iv) County Councils

Council is not a member of any County Councils.

##### (d) Leases

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

##### Finance Leases

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

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

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

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

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

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- 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 and Cash Equivalents for presentation of the Cash Flow Statement.

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

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

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

Each classification depends on the purpose/intention for which the investment was acquired and 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.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/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 and 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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### Financial Assets – Reclassification

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

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

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

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

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

### General Accounting and 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.

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

impairment loss is the current effective interest rate determined under the contract.

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

##### (iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (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 and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

A provision for impairment (ie 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.



## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

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

##### (i) Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

###### Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges and footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (Internal Valuation)
- **Other Assets** (Internal Valuation)

# Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 1. Summary of Significant Accounting Policies

#### Initial Recognition

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

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

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

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

#### Subsequent costs

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

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

#### Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class 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 and Equipment

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

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
Building	
- construction/extensions	> \$20,000
- renovations	> \$20,000
Other Structures	> \$20,000

##### Water and Sewer Assets

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### Stormwater Assets

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

##### Transport Assets

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

Bridge construction and reconstruction	> \$20,000
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##### Depreciation

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

Land is not depreciated.

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

##### Plant and Equipment

- Office Equipment	-3-15 years
- Office furniture	5-20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	12 years
- Other plant and equipment	12 years

##### Other Equipment

- Bush Fire equipment	5 years
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##### Buildings

- Buildings: Operating	15-60 years
- Buildings: Community	20- 60 years

##### Stormwater Drainage

- Drains	60-100 years
- Culverts	60 years

##### Transportation Assets

- Sealed Roads	35 years
- Unsealed roads	100 years
- Bridges	30 to 80 years
- Footpaths	40 years
- Kerb and Gutter	50-80 years

##### Water Supply

- Headworks/Bores	30 years
- Mains	80 years
- Reservoirs	100 years
- Pump Stations	40 years
- Water Treatment Plant	50 years

##### Sewer Supply

- Reticulation	70 years
- Rising Mains	70 years
- Treatment Works	40 years
- Pump Stations	60 years
- Effluent Pumping Station	60 years

##### Other Infrastructure Assets

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – 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).

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (l) Land under roads

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

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

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

##### (m) Crown Reserves

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

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

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

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

##### (n) 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.

##### (o) 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 discount is disclosed as a borrowing cost in Note 4(b).

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

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

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

These costs are charged to the income statement.

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

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

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

#### **(p) 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.

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **(q) Payables**

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

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

#### **(r) 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.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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.

##### (s) Borrowing costs

Borrowing costs are expensed.

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

##### (t) 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.

##### (u) 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 wholly 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.

All other short-term employee benefit obligations are presented as payables.

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

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

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

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

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined Benefit Plans

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 417,755.

The amount of additional contributions included in the total employer contribution advised above is \$160,498.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$641,992 as at 30 June 2014.

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 2014

#### Note 1. Summary of Significant Accounting Policies

##### Defined Contribution Plans

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

##### (v) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

##### (v) Allocation between current and non-current assets and 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.

##### (w) 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 and Services Tax (GST)

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

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

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

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

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

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

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

##### (x) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

##### 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.



## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **Applicable to Local Government with implications:**

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

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular 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 although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

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

##### **Applicable to Local Government but no implications for Council:**

**AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-**

##### **Financial Assets** (effective for 30 June 2015 Financial Statements)

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

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

**AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards** (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

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

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

#### **(y) Rounding of amounts**

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

#### **(z) 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.

#### **(aa) 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 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	
Governance		9	-	695	632	742	(695)	(623)	(742)	-	-	-	
Administration	23	254	282	587	401	385	(564)	(147)	(103)	3	10	12,450	
Public Order & Safety	328	337	447	618	1,200	1,199	(290)	(863)	(752)	291	355	3,040	
Health	149	158	121	82	221	330	67	(63)	(209)			57	
Environment	4,845	5,720	5,371	4,802	5,324	5,789	43	396	(418)	420	433	13,819	
Community Services & Education	346	402	427	390	627	629	(44)	(225)	(202)	106	154	1,176	
Housing & Community Amenities	219	105	68	1,425	1,422	996	(1,206)	(1,317)	(928)	150	160	1,564	
Water Supplies	14,678	13,348	20,132	4,460	4,398	3,210	10,218	8,950	16,922	8,245	15,509	105,921	
Sewerage Services	4,580	4,705	3,937	4,759	4,905	5,118	(179)	(200)	(1,181)	75	89	82,208	
Recreation & Culture	173	515	530	2,629	3,187	3,513	(2,456)	(2,672)	(2,983)	168	199	37,211	
Mining, Manufacturing & Construction	47	140	62	372	312	391	(325)	(172)	(329)				
Transport & Communication	2,418	3,455	4,057	12,759	12,324	14,784	(10,341)	(8,869)	(10,727)	1,117	551	122,831	
Economic Affairs	8	75	81	198	527	5,242	(190)	(452)	(5,161)	157	5	1,015	
<b>Total Functions &amp; Activities</b>	<b>27,814</b>	<b>29,223</b>	<b>35,515</b>	<b>33,776</b>	<b>35,480</b>	<b>42,328</b>	<b>(5,962)</b>	<b>(6,257)</b>	<b>(6,813)</b>	<b>10,732</b>	<b>17,465</b>	<b>381,292</b>	
General Purpose Income <sup>1</sup>	12,899	12,063	13,206			-	12,899	12,063	13,206	2,282	3,934		
<b>Operating Result from Continuing Operations</b>	<b>40,713</b>	<b>41,286</b>	<b>48,721</b>	<b>33,776</b>	<b>35,480</b>	<b>42,328</b>	<b>6,937</b>	<b>5,806</b>	<b>6,393</b>	<b>13,014</b>	<b>21,399</b>	<b>381,292</b>	
												<b>364,684</b>	

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 2014

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

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

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

##### **HEALTH**

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

##### **ENVIRONMENT**

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

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

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

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

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

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

Building control, quarries & pits, other.

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

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

##### **ECONOMIC AFFAIRS**

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

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		6,484	6,209
Farmland		789	760
Environmental		349	336
Business		989	953
<b>Total Ordinary Rates</b>		<b>8,611</b>	<b>8,258</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,398	3,267
Water Supply Services		677	600
Sewerage Services		3,317	2,500
Drainage		140	139
Waste Management Services (non-domestic)		820	783
<b>Total Annual Charges</b>		<b>8,352</b>	<b>7,289</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>16,963</b>	<b>15,547</b>

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		3,560	3,132
Saleyards		-	38
Sewerage Services		806	786
Waste Management Services (non-domestic)		499	407
Other - Library		4	5
Other		15	-
<b>Total User Charges</b>		<b>4,884</b>	<b>4,368</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Building Regulation		133	59
Planning & Building Regulation		177	145
Private Works - Section 67		61	24
Regulatory/ Statutory Fees		177	163
Section 149 Certificates (EPA Act)		49	40
Section 603 Certificates		35	25
Other - Septic Tank Income		18	7
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>650</b>	<b>463</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Cemeteries		86	49
<b>Total Fees &amp; Charges - Other</b>		<b>86</b>	<b>49</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>5,620</b>	<b>4,880</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		141	132
- Interest earned on Investments (interest & coupon payment income)		1,660	1,654
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		445	595
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>2,246</b>	<b>2,381</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		141	132
General Council Cash & Investments		1,373	1,295
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		75	99
- Section 64		289	372
Water Fund Operations		453	531
Sewerage Fund Operations		249	356
Domestic Waste Management operations		10	9
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		(344)	(413)
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>2,246</b>	<b>2,381</b>
<b>(d) Other Revenues</b>			
Fines - Parking		16	24
Fines - Other		18	6
Lease Rentals		246	236
Legal Fees Recovery - Rates & Charges (Extra Charges)		4	4
Administration		3	9
Bank Merchant Service Fees		28	13
Diesel Rebate		40	38
Environmental Services		14	7
Insurance - Premium Rebates		70	130
Road Closure/Compulsory Acquisition		19	11
Sales - General		3	4
Special Meter Reading Fees		3	6
Other - Libraries		6	9
Other - Tourism		-	5
Other		4	7
<b>TOTAL OTHER REVENUE</b>		<b>474</b>	<b>509</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	1,231	2,401	-	-
Financial Assistance - Local Roads Component	562	1,065	-	-
Pensioners' Rates Subsidies - General Component	489	468	-	-
<b>Total General Purpose</b>	<b>2,282</b>	<b>3,934</b>	<b>-</b>	<b>-</b>
<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
<b>Specific Purpose</b>				
Water Supplies	-	-	8,157	15,423
Sewerage Services	-	-	-	15
Bushfire & Emergency Services	291	355	-	-
Community Care	287	318	-	-
Community Centres	-	41	-	-
Employment & Training Programs	114	135	-	-
Environmental Protection	228	362	-	-
Library	62	146	-	-
Noxious Weeds	212	95	-	-
Public Halls	2	5	-	-
Recreation & Culture	99	7	-	-
Street Lighting	19	19	-	-
Swimming Pools	-	1	-	-
Transport (Roads to Recovery)	531	531	-	-
Transport (Other Roads & Bridges Funding)	-	-	-	(1)
Other - Cycleways	-	-	567	-
Other - Museums	5	-	-	-
Other - Household Problem Waste	-	-	156	-
Other	2	13	-	-
<b>Total Specific Purpose</b>	<b>1,852</b>	<b>2,028</b>	<b>8,880</b>	<b>15,437</b>
<b>Total Grants</b>	<b>4,134</b>	<b>5,962</b>	<b>8,880</b>	<b>15,437</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	1,787	3,466	8,157	15,438
- State Funding	2,347	2,496	723	(1)
	<b>4,134</b>	<b>5,962</b>	<b>8,880</b>	<b>15,437</b>



## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	-	-	88	157
S 94A - Fixed Development Consent Levies	-	-	145	-
S 64 - Water Supply Contributions	-	-	140	56
S 64 - Sewerage Service Contributions	-	-	91	42
<b>Total Developer Contributions</b>	<b>17</b>	<b>-</b>	<b>464</b>	<b>255</b>
<b>Other Contributions:</b>				
Bushfire Services	-	1	-	-
Kerb & Gutter	1	-	-	-
Recreation & Culture	146	73	12	6
Roads & Bridges	67	12	-	-
RMS Contributions (Regional Roads, Block Grant)	1,750	3,053	186	159
Sewerage (excl. Section 64 contributions)	-	-	4	1
Subdivider Dedications	-	-	223	421
Water Supplies (excl. Section 64 contributions)	-	-	113	11
Other -Libraries	3	12	-	-
Other	-	1	-	-
<b>Total Other Contributions</b>	<b>1,967</b>	<b>3,152</b>	<b>538</b>	<b>598</b>
<b>Total Contributions</b>	<b>1,967</b>	<b>3,152</b>	<b>1,002</b>	<b>853</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>6,101</b>	<b>9,114</b>	<b>9,882</b>	<b>16,290</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
<b>(g) Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	12,060	9,871
add: Grants & contributions recognised in the current period but not yet spent:	9,376	4,819
less: Grants & contributions recognised in a previous reporting period now spent:	(13,781)	(2,630)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(4,405)</b>	<b>2,189</b>
<b>Unexpended and held as Restricted Assets</b>	<b>7,655</b>	<b>12,060</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	797	5,151
- Developer Contributions	6,858	6,909
	<b>7,655</b>	<b>12,060</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		6,842	6,629
Travelling		492	702
Employee Leave Entitlements (ELE)		1,432	1,190
Superannuation		947	899
Workers' Compensation Insurance		267	315
Fringe Benefit Tax (FBT)		50	34
Training Costs (other than Salaries & Wages)		81	90
Other		89	197
<b>Total Employee Costs</b>		<b>10,200</b>	<b>10,056</b>
less: Capitalised Costs		(641)	(364)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>9,559</b>	<b>9,692</b>
Number of "Equivalent Full Time" Employees at year end		119	116
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		124	124
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		2,397	1,365
<b>Total Interest Bearing Liability Costs</b>		<b>2,397</b>	<b>1,365</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>2,397</b>	<b>1,365</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	21	20
Interest applicable on Interest Free (& favourable) Loans to Council		415	463
<b>Total Other Borrowing Costs</b>		<b>436</b>	<b>483</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>2,833</b>	<b>1,848</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		1,843	1,586
Contractor & Consultancy Costs		3,742	5,460
- Beach Inspections		61	60
- Cleaning of Council Buildings		87	87
- Computer System - "Civica - Autho		113	50
- Equipment Hire		652	557
- Financial		24	24
- Ordinance Officer		32	107
- Waste Collection Contract		2,776	2,751
- Contractor & Consultancy Costs -Town Planning		24	65
- Contractor & Consultancy Costs - Sewer Mains Works		-	220
Auditors Remuneration <sup>(1)</sup>		26	37
Legal Expenses:			
- Legal Expenses: Planning & Development		107	37
- Legal Expenses: Other		212	173
<b>Total Materials &amp; Contracts</b>		<b>9,699</b>	<b>11,214</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>9,699</b>	<b>11,214</b>

**1. Auditor Remuneration**

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

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

- Audit & review of financial statements: Council's Auditor
- Other Services: Council's Auditor

**Remuneration for audit and other assurance services****(ii) Taxation Services****Remuneration for taxation services****(iii) Other Services**

- Other Services - Grant Acquittals

**Remuneration for other services****Total Auditor Remuneration****2. Operating Lease Payments are attributable to:**

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	680	692
Office Equipment		-	-	150	138
Furniture & Fittings		-	-	14	16
Land Improvements (depreciable)		-	-	15	18
Buildings - Non Specialised		-	-	513	555
Buildings - Specialised		-	-	324	331
Other Structures		-	-	98	121
Infrastructure:					
- Roads		19	6	4,312	4,321
- Bridges		-	-	547	541
- Footpaths		-	-	114	109
- Stormwater Drainage		-	4	411	403
- Water Supply Network		-	-	975	933
- Sewerage Network		-	-	1,753	1,707
- Swimming Pools		-	-	53	53
- Other Open Space/Recreational Assets		-	-	100	96
- Other Infrastructure		-	-	56	43
Other Assets					
- Heritage Collections		-	-	5	5
- Other		-	-	12	1
Asset Reinstatement Costs	9 & 26	-	-	42	42
<b>Total Depreciation &amp; Impairment Costs</b>		<b>19</b>	<b>10</b>	<b>10,174</b>	<b>10,125</b>
less: Capitalised Costs		-	-	(91)	(51)
less: Impairments (to)/from ARR [Equity]	9a	(19)	(10)	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>10,083</b>	<b>10,074</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		162	123
Bad & Doubtful Debts		-	18
Bank Charges		55	45
Contributions/Levies to Other Levels of Government		59	57
- Bushfire Fighting Fund		233	212
- Waste Levy		208	143
- Other Contributions/Levies		38	41
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		99	95
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		34	40
Donations, Contributions & Assistance to other organisations (Section 356)		122	157
- SES Vehicle Expenses		30	33
Electricity & Heating		749	702
Insurance		619	600
Insurance Excess (PI/PL)		8	22
Office Expenses (including computer expenses)		189	347
Postage		39	37
Printing & Stationery		74	79
Street Lighting		258	257
Subscriptions & Publications		63	56
Telephone & Communications		71	64
Valuation Fees		58	78
<b>Total Other Expenses</b>		<b>3,191</b>	<b>3,228</b>
<b>TOTAL OTHER EXPENSES</b>		<b>3,191</b>	<b>3,228</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		4	7
less: Carrying Amount of Property Assets Sold / Written Off		(77)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(73)</b>	<b>7</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		7	138
less: Carrying Amount of P&E Assets Sold / Written Off		-	(55)
<b>Net Gain/(Loss) on Disposal</b>		<b>7</b>	<b>83</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	2
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(119)	(6,506)
<b>Net Gain/(Loss) on Disposal</b>		<b>(119)</b>	<b>(6,504)</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		97	197
less: Carrying Amount of Real Estate Assets Sold / Written Off		(27)	(55)
<b>Net Gain/(Loss) on Disposal</b>		<b>70</b>	<b>142</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(115)</b>	<b>(6,272)</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		533	-	782	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		508	-	5,078	-
- Short Term Deposits		4,972	-	9,357	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>6,013</b>	<b>-</b>	<b>15,217</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Managed Funds		4,207	-	4,483	-
- Long Term Deposits		25,717	-	24,475	-
- NCD's, FRN's (with Maturities > 3 months)		516	-	514	-
- Tcorp		1,312	-	1,146	-
<b>Total Investments</b>		<b>31,752</b>	<b>-</b>	<b>30,618</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>37,765</b>	<b>-</b>	<b>45,835</b>	<b>-</b>

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

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

**Cash & Cash Equivalents**

a. "Held to Maturity At Cost"		<b>6,013</b>	<b>-</b>	<b>15,217</b>	<b>-</b>
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**Investments****a. "At Fair Value through the Profit & Loss"**

- "Held for Trading"	6(b-i)			-	-
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- "Designated at Fair Value on Initial Recognition"	6(b-i)	6,035		6,143	-
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<b>b. "Held to Maturity"</b>	6(b-ii)	25,717	-	24,475	-
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c. "Loans & Receivables"	6(b-iii)			-	-
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d. "Available for Sale"	6(b-iv)			-	-
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<b>Investments</b>		<b>31,752</b>	<b>-</b>	<b>30,618</b>	<b>-</b>
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Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	6,143	-	6,246	-
Revaluations (through the Income Statement)	445	-	595	-
Additions	10,097	-	1,002	-
Disposals (sales & redemptions)	(10,650)	-	(1,700)	-
<b>Balance at End of Year</b>	<b>6,035</b>	<b>-</b>	<b>6,143</b>	<b>-</b>
<b>Comprising:</b>				
- Managed Funds	4,207	-	4,483	-
- NCD's, FRN's (with Maturities > 3 months)	516	-	514	-
- Other Long Term Financial Assets	1,312	-	1,146	-
<b>Total</b>	<b>6,035</b>	<b>-</b>	<b>6,143</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	24,475	-	16,133	-
Additions	9,237	-	17,803	-
Disposals (sales & redemptions)	(7,995)	-	(9,461)	-
<b>Balance at End of Year</b>	<b>25,717</b>	<b>-</b>	<b>24,475</b>	<b>-</b>
<b>Comprising:</b>				
- Other Long Term Financial Assets	25,717	-	24,475	-
<b>Total</b>	<b>25,717</b>	<b>-</b>	<b>24,475</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil	-	-	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil	-	-	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investments</b>	<b>37,765</b>	<b>-</b>	<b>45,835</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	32,449	-	40,334	-
Internal Restrictions (refer below)	4,410	-	3,803	-
Unrestricted	906	-	1,698	-
	<b>37,765</b>	<b>-</b>	<b>45,835</b>	<b>-</b>

2014	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	1,131	1,955	(2,694)	392
Specific Purpose Unexpended Loans-Water (A)	11,345	10,000	(12,362)	8,983
Specific Purpose Unexpended Loans-Sewer (A)	242	-	(242)	-
Security Deposits	795		(227)	568
Prepaid Private Works	52		(52)	-
<b>External Restrictions - Included in Liabilities</b>	<b>13,565</b>	<b>11,955</b>	<b>(15,577)</b>	<b>9,943</b>

**External Restrictions - Other**

Developer Contributions - General (D)	1,255	308	(218)	1,345
Developer Contributions - Water Fund (D)	3,386	320	(100)	3,606
Developer Contributions - Sewer Fund (D)	2,268	200	(561)	1,907
Specific Purpose Unexpended Grants (F)	2,706	452	(2,361)	797
Specific Purpose Unexpended Grants-Water Fund (F)	2,445	8,097	(10,542)	-
Water Supplies (G)	9,109	1,381	(1,988)	8,502
Sewerage Services (G)	4,657	1,020	(669)	5,008
Domestic Waste Management (G)	943	406	(8)	1,341
<b>External Restrictions - Other</b>	<b>26,769</b>	<b>12,184</b>	<b>(16,447)</b>	<b>22,506</b>
<b>Total External Restrictions</b>	<b>40,334</b>	<b>24,139</b>	<b>(32,024)</b>	<b>32,449</b>

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	325		(21)	304
Employees Leave Entitlement	1,767	325	(111)	1,981
Council Building Reserve	184			184
Election	27	30		57
Environment Rate Unallocated	254	349	(242)	361
Land Development	248		(41)	207
Lawn Cemetery	8			8
Office Equipment	154	25	(34)	145
On Site Sewer Management	13			13
Other Contributions	130	292	(45)	377
Public Road/Reserve Sales	51			51
Saleyards Upkeep	41		(41)	-
Stormwater Management	141	1		142
Swimming Pool	53	20		73
Waste Management	407	102	(2)	507
<b>Total Internal Restrictions</b>	<b>3,803</b>	<b>1,144</b>	<b>(537)</b>	<b>4,410</b>
<b>TOTAL RESTRICTIONS</b>	<b>44,137</b>	<b>25,283</b>	<b>(32,561)</b>	<b>36,859</b>

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		779	-	753	-
Interest & Extra Charges		36	-	79	-
User Charges & Fees		1,854	-	1,793	-
Accrued Revenues					
- Interest on Investments		496	-	507	-
Government Grants & Subsidies		332	-	453	-
Net GST Receivable		328	-	608	-
Other Debtors - General		2,206	-	1,939	-
Other Debtors- Flood Damage(RMS)		158	-	94	-
Other Debtors - On Site Sewer M'ment		22	-	14	-
Other Debtors - Cycleway(RMS)		330	-	-	-
Other Debtors - Traffic Subsidy		20	-	-	-
Other Debtors		70	-	66	-
<b>Total</b>		<b>6,631</b>	<b>-</b>	<b>6,306</b>	<b>-</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(23)	-	(23)	-
User Charges & Fees		-	-	(1)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(23)</b>	<b>-</b>	<b>(24)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>6,608</b>	<b>-</b>	<b>6,282</b>	<b>-</b>
<b>Externally Restricted Receivables</b>					
Nil					
<b>Water Supply</b>					
- Rates & Availability Charges		1,329	-	1,249	-
- Other		1,870	-	43	-
<b>Sewerage Services</b>					
- Rates & Availability Charges		447	-	401	-
- Other		455	-	480	-
<b>Domestic Waste Management</b>		<b>300</b>	<b>-</b>	<b>336</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>4,401</b>	<b>-</b>	<b>2,509</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
<b>Internally Restricted Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>2,207</b>	<b>-</b>	<b>3,773</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>6,608</b>	<b>-</b>	<b>6,282</b>	<b>-</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 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 2014

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		135	21	157	21
Stores & Materials		1,102	-	838	-
<b>Total Inventories</b>		<b>1,237</b>	<b>21</b>	<b>995</b>	<b>21</b>
<b>Other Assets</b>					
Prepayments		117	-	75	-
<b>Total Other Assets</b>		<b>117</b>	<b>-</b>	<b>75</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>1,354</b>	<b>21</b>	<b>1,070</b>	<b>21</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		42	-	45	-
<b>Total Water</b>		<b>42</b>	<b>-</b>	<b>45</b>	<b>-</b>
<b>Sewerage</b>					
Nil		-	-	-	-
<b>Total Sewerage</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Domestic Waste Management</b>					
Nil		-	-	-	-
<b>Total Domestic Waste Management</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>					
Nil		-	-	-	-
<b>Total Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>42</b>	<b>-</b>	<b>45</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>1,312</b>	<b>21</b>	<b>1,025</b>	<b>21</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>1,354</b>	<b>21</b>	<b>1,070</b>	<b>21</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	98	-	125	-
Industrial/Commercial	37	21	32	21
<b>Total Real Estate for Resale</b>	<b>135</b>	<b>21</b>	<b>157</b>	<b>21</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Development Costs	135	21	157	21
<b>Total Costs</b>	<b>135</b>	<b>21</b>	<b>157</b>	<b>21</b>
less: Provision for Under Recovery			-	-
<b>Total Real Estate for Resale</b>	<b>135</b>	<b>21</b>	<b>157</b>	<b>21</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	157	21	211	21
- Purchases and other costs	5	-	1	-
- WDV of Sales (exp) 5	(27)		(55)	-
<b>Total Real Estate for Resale</b>	<b>135</b>	<b>21</b>	<b>157</b>	<b>21</b>

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

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

	2014	2013
Real Estate for Resale	-	-

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

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

**(d) Inventory Write Downs**

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

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	as at 30/6/2013						Asset Movements during the Reporting Period						as at 30/6/2014			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying	
	Cost	Fair Value	Dep'n	Value								Cost	Fair Value	Dep'n	Value	
Capital Work in Progress	22,373	-	4	22,369	23,973				(2,968)			43,378	-	4	43,374	
Plant & Equipment	-	10,700	7,312	3,388	402		(680)					-	11,062	7,952	3,110	
Office Equipment	-	1,626	991	635	146		(150)					-	1,738	1,107	631	
Furniture & Fittings	-	427	364	63	13		(14)					-	440	378	62	
Land:																
- Operational Land	-	6,604	-	6,604		(77)		389					6,916	-	6,916	
- Community Land	-	16,602	-	16,602	5			(389)		1,436			16,218	-	16,218	
- Land under Roads (post 30/6/08)	1,141	-	-	1,141									2,577	-	2,577	
Land Improvements - depreciable	-	976	287	689			(15)	25					1,001	302	699	
Buildings - Non Specialised	-	24,529	12,100	12,429	2	(12)	(513)		78				24,481	12,575	11,906	
Buildings - Specialised	-	14,716	6,240	8,476	73		(324)						14,866	6,563	8,303	
Other Structures	-	5,104	780	4,324	157		(98)						5,261	878	4,383	
Infrastructure:																
- Roads	-	139,667	73,322	66,339	2,742		(4,312)	(19)	69	(146)			142,039	77,341	64,673	
- Bridges	-	33,056	9,388	23,668	1,205	(93)	(547)		1,532				33,778	8,013	25,765	
- Footpaths	-	4,708	2,506	2,202	508		(114)		85				5,301	2,620	2,681	
- Bulk Earthworks (non-depreciable)	-	18,181	-	18,181	97				51				18,278	-	18,278	
- Stormwater Drainage	-	25,939	16,944	8,991	85		(411)						26,076	17,356	8,716	
- Water Supply Network	-	67,026	29,102	37,924	333	(14)	(975)			1,011			69,067	30,788	38,279	
- Sewerage Network	-	101,294	29,382	71,912	281		(1,753)			1,957			104,402	32,005	72,397	
- Swimming Pools	-	4,758	3,343	1,415			(53)						4,758	3,396	1,362	
- Other Open Space/Recreational Assets	-	3,210	1,235	1,975	57		(100)						3,267	1,335	1,932	
- Other Infrastructure	-	2,000	501	1,499			(56)		1,128				3,127	556	2,571	
Other Assets:																
- Heritage Collections	-	520	140	380			(5)						520	145	375	
- Other	-	70	8	62	120		(12)						190	20	170	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	434	-	226	208			(42)						435	269	166	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>23,948</b>	<b>481,713</b>	<b>194,175</b>	<b>311,476</b>	<b>30,199</b>	<b>(196)</b>	<b>(10,174)</b>	<b>(19)</b>	<b>-</b>	<b>(146)</b>	<b>4,404</b>	<b>43,378</b>	<b>495,798</b>	<b>203,603</b>	<b>335,544</b>	

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$5,072,589) and New Assets (\$25,126,485).

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets)

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Actual				Actual			
	2014				2013			
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
<b>Water Supply</b>								
WIP	42,342		4	<b>42,338</b>	19,405	-	4	<b>19,401</b>
Plant & Equipment		435	139	<b>296</b>	-	422	121	<b>301</b>
Office Equipment		10	10	-	-	19	19	-
Furniture & Fittings		2	2	-	-	2	2	-
Land								
- Council Owned (Freehold)		1,530	-	<b>1,530</b>	-	1,530	-	<b>1,530</b>
Buildings		300	142	<b>158</b>	-	300	136	<b>164</b>
Other Structures		5	2	<b>3</b>	-	5	2	<b>3</b>
Infrastructure		69,067	30,787	<b>38,280</b>	-	67,025	29,102	<b>37,923</b>
Other Assets		-	-	-	-	-	-	-
<b>Total Water Supply</b>	<b>42,342</b>	<b>71,349</b>	<b>31,086</b>	<b>82,605</b>	<b>19,405</b>	<b>69,303</b>	<b>29,386</b>	<b>59,322</b>
<b>Sewerage Services</b>								
WIP	525			<b>525</b>	-	-	-	-
Plant & Equipment		526	282	<b>244</b>	-	461	228	<b>233</b>
Office Equipment		7	7	-	-	7	7	-
Furniture & Fittings		7	7	-	-	7	7	-
Land								
- Council Owned (Freehold)		1,515		<b>1,515</b>	-	1,533	-	<b>1,533</b>
- Council Controlled		55		<b>55</b>	-	55	-	<b>55</b>
Buildings		1,165	247	<b>918</b>	-	1,165	224	<b>941</b>
Infrastructure		104,402	32,005	<b>72,397</b>	-	101,292	29,382	<b>71,910</b>
Other Assets		-	-	-	-	-	-	-
<b>Total Sewerage Services</b>	<b>525</b>	<b>107,677</b>	<b>32,548</b>	<b>75,654</b>	-	<b>104,520</b>	<b>29,848</b>	<b>74,672</b>
<b>Domestic Waste Management</b>								
WIP				-		615	608	<b>7</b>
Plant & Equipment		615	608	<b>7</b>		-	-	-
Land								
- Operational Land		625	-	<b>625</b>		625	-	<b>625</b>
- Improvements - depreciable		30	8	<b>22</b>		30	8	<b>22</b>
Buildings		201	84	<b>117</b>		201	80	<b>121</b>
Other Structures		3,047	239	<b>2,808</b>		3,047	208	<b>2,839</b>
<b>Total DWM</b>	-	<b>4,518</b>	<b>939</b>	<b>3,579</b>	-	<b>4,518</b>	<b>904</b>	<b>3,614</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>42,867</b>	<b>183,544</b>	<b>64,573</b>	<b>161,838</b>	<b>19,405</b>	<b>178,341</b>	<b>60,138</b>	<b>137,608</b>



## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(i) Impairment Losses recognised in the Income Statement:</b>			
<b>Total Impairment Losses</b>		-	-
<b>(ii) Reversal of Impairment Losses previously recognised in the Income Statement:</b>			
<b>Total Impairment Reversals</b>		-	-
<b><u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u></b>	4(d)	-	-
<b>(iii) Impairment Losses recognised direct to Equity (ARR):</b>			
- Bellingen Road-flood damage following severe storms-road collapse		-	(6)
- Culverts-Bellingen Rd-flood damage following severe storms-road collapse		-	(4)
- Taylors Arm Road-Rural sealed road-Landslip following severe storms		(10)	-
- Lower Parkes Street-Urban sealed road-Landslip following severe storms		(9)	-
<b>Total Impairment Losses</b>		<b>(19)</b>	<b>(10)</b>
<b>(iv) Reversals of Impairment Losses previously recognised direct to Equity (ARR):</b>			
<b>Total Impairment Reversals</b>		-	-
<b><u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u></b>	20 (ii)	<b>(19)</b>	<b>(10)</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,273	-	3,825	-
Payments Received In Advance		-	-	53	-
Accrued Expenses:					
- Borrowings		272	-	246	-
- Other Expenditure Accruals		13	-	13	-
Government Departments		8	-	8	-
Security Bonds, Deposits & Retentions		155	415	215	581
Other		28	-	23	-
<b>Total Payables</b>		<b>1,749</b>	<b>415</b>	<b>4,383</b>	<b>581</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		2,611	44,712	2,382	35,589
<b>Total Borrowings</b>		<b>2,611</b>	<b>44,712</b>	<b>2,382</b>	<b>35,589</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		614	-	759	-
Sick Leave		958	-	959	-
Long Service Leave		1,941	36	1,820	38
Other Leave		165	-	148	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>3,678</b>	<b>36</b>	<b>3,686</b>	<b>38</b>
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	478	-	457
<b>Total Provisions</b>		<b>3,678</b>	<b>514</b>	<b>3,686</b>	<b>495</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>8,038</b>	<b>45,641</b>	<b>10,451</b>	<b>36,665</b>

## (i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	437	23,982	287	14,358
Sewer	1,664	8,733	1,646	9,921
Liabilities relating to externally restricted assets	2,101	32,715	1,933	24,279
<b>Internally Restricted Assets</b>				
Nil	-	-	-	-
Liabilities relating to internally restricted assets	-	-	-	-
<b>Total Liabilities relating to restricted assets</b>	<b>2,101</b>	<b>32,715</b>	<b>1,933</b>	<b>24,279</b>
<b>Total Liabilities relating to Unrestricted Assets</b>	<b>5,937</b>	<b>12,926</b>	<b>8,518</b>	<b>12,386</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>	<b>8,038</b>	<b>45,641</b>	<b>10,451</b>	<b>36,665</b>

<sup>1</sup> 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 2014

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

\$ '000	Actual 2014	Actual 2013
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,670	2,484
	<b>2,670</b>	<b>2,484</b>

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

Nil

Class of Provision	2013		2014			Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	759	464	(609)			614
Sick Leave	959	242	(243)			958
Long Service Leave	1,858	223	(104)			1,977
Other Leave (enter deta	148	17				165
Asset Remediation	457	21				478
<b>TOTAL</b>	<b>4,181</b>	<b>967</b>	<b>(956)</b>	-	-	<b>4,192</b>

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- c. Other Provisions represent the AAS30 adjustment for ELE.

## Nambucca Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	6,013	15,217
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>6,013</b>	<b>15,217</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>5,806</b>	<b>6,393</b>
Adjust for non cash items:			
Depreciation & Amortisation		10,083	10,074
Net Losses/(Gains) on Disposal of Assets		115	6,272
Non Cash Capital Grants and Contributions		(223)	(421)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(445)	(595)
- Other - Tip Provision Reduction		-	326
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		415	463
Unwinding of Discount Rates on Reinstatement Provisions		21	20
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(325)	(494)
Increase/(Decrease) in Provision for Doubtful Debts		(1)	2
Decrease/(Increase) in Inventories		(264)	(266)
Decrease/(Increase) in Other Assets		(42)	354
Increase/(Decrease) in Payables		(2,552)	1,497
Increase/(Decrease) in accrued Interest Payable		26	42
Increase/(Decrease) in Other Liabilities		(274)	(320)
Increase/(Decrease) in Employee Leave Entitlements		(10)	(27)
Increase/(Decrease) in Other Provisions		-	(326)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>12,330</b>	<b>22,994</b>

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Subdivisions		223	421
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>223</b>	<b>421</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit Cards / Purchase Cards		6	3
<b>Total Financing Arrangements</b>		<b>6</b>	<b>3</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		6	3
<b>Total Financing Arrangements Utilised</b>		<b>6</b>	<b>3</b>

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

**(ii) Secured Loan Liabilities**

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

**(e) Bank Guarantees****(f) 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 2014

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Structures		12,275	31,850
<b>Total Commitments</b>		<b>12,275</b>	<b>31,850</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		12,275	31,850
<b>Total Payable</b>		<b>12,275</b>	<b>31,850</b>
<b>Sources for Funding of Capital Commitments:</b>			
Future Grants & Contributions			10,505
Externally Restricted Reserves		550	11,345
Unexpended Loans		9,725	-
New Loans (to be raised)		2,000	10,000
<b>Total Sources of Funding</b>		<b>12,275</b>	<b>31,850</b>
<b>Details of Capital Commitments</b>			
Construction of Off River Storage Dam			

**(b) Finance Lease Commitments**

Nil

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

Nil

**(d) Investment Property Commitments**

Nil

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

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
(excl. Capital Grants & Contributions) - Operating Expenses	<u>(4,406)</u>	<b>-14.23%</b>	-13.26%	-9.49%
Total continuing operating revenue <sup>(1)</sup>	<b>30,959</b>			
(excl. Capital Grants & Contributions)				
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
(less ALL Grants & Contributions)	<u>24,858</u>	<b>60.87%</b>	47.21%	55.30%
Total continuing operating revenue <sup>(1)</sup>	<b>40,841</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>8,835</u>	<b>2.70 : 1</b>	1.71	2.02
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>3,267</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>8,510</u>	<b>159.04%</b>	194.05%	242.71%
Principal Repayments (from the Statement of Cash Flows)	<u>5,351</u>			
+ Borrowing Interest Costs (from the Income Statement)				
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>792</u>	<b>4.42%</b>	4.88%	5.81%
Rates, Annual and Extra Charges Collectible	<u>17,917</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>31,730</u>	<b>10.89</b>	15.88	5.38
Payments from cash flow of operating and financing activities	<u>2,913</u>			

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General <sup>5</sup> 2014
<b>Local Government Industry Indicators - by Fund</b>			
<b>1. Operating Performance Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<b>16.94%</b>	<b>-4.72%</b>	<b>-24.38%</b>
Total continuing operating revenue <sup>(1)</sup>			
(excl. Capital Grants & Contributions)	prior period: 32.84%	-29.35%	-20.26%
<b>2. Own Source Operating Revenue Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(less ALL Grants &amp; Contributions)</u>	<b>37.75%</b>	<b>94.56%</b>	<b>67.61%</b>
Total continuing operating revenue <sup>(1)</sup>			
	prior period: 23.51%	96.75%	59.09%
<b>3. Unrestricted Current Ratio</b>			
Current Assets less all External Restrictions <sup>(2)</sup>			
<u>Current Liabilities less Specific Purpose Liabilities<sup>(3, 4)</sup></u>	<b>3.14 : 1</b>	<b>0.28 : 1</b>	<b>2.14 : 1</b>
	prior period: 4.50	0.26	2.09
<b>4. Debt Service Cover Ratio</b>			
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)			
<u>Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)</u>	<b>182.41%</b>	<b>93.24%</b>	<b>234.79%</b>
	prior period: 566.31%	46.82%	337.45%
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
Rates, Annual and Extra Charges Outstanding			
<u>Rates, Annual and Extra Charges Collectible</u>	<b>5.52%</b>	<b>5.25%</b>	<b>4.15%</b>
	prior period: 6.46%	5.68%	4.64%
<b>6. Cash Expense Cover Ratio</b>			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	<b>68.94</b>	<b>17.66</b>	<b>1.68</b>
	prior period: 133.54	17.27	3.31

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General Fund refers to all of Council's activities except for its Water &amp; Sewer activities which are listed separately.



## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 14. Investment Properties

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\$ '000	Notes	Actual 2014	Actual 2013
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Council has not classified any Land or Buildings as "Investment Properties"

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### 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	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	6,013	15,217	5,988	15,217
Investments				
- "Designated At Fair Value on Initial Recognition"	6,035	6,143	6,035	6,143
- "Held to Maturity"	25,717	24,475	25,717	24,475
Receivables	6,608	6,282	6,608	6,282
<b>Total Financial Assets</b>	<b>44,373</b>	<b>52,117</b>	<b>44,348</b>	<b>52,117</b>
<b>Financial Liabilities</b>				
Payables	2,164	4,911	2,164	4,911
Loans / Advances	47,323	37,971	45,998	37,289
<b>Total Financial Liabilities</b>	<b>49,487</b>	<b>42,882</b>	<b>48,162</b>	<b>42,200</b>

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The risks associated with the investments held are:

- **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.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2014</b>				
Possible impact of a 10% movement in Market Values	552	552	(552)	(552)
Possible impact of a 1% movement in Interest Rates	373	373	(373)	(373)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	562	562	(562)	(562)
Possible impact of a 1% movement in Interest Rates	451	451	(451)	(451)

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### 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.

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

Council makes suitable provision for doubtful receivables as required 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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	93%	93%	93%	67%
Overdue	7%	7%	7%	33%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of Receivables - value</b>				
Current (not yet overdue)	726	5,414	697	3,721
Past due by more than 90 days	53	438	56	1,832
	<b>779</b>	<b>5,852</b>	<b>753</b>	<b>5,553</b>
<b>(iii) Movement in Provision for Impairment of Receivables</b>			2014	2013
Balance at the beginning of the year			24	22
+ new provisions recognised during the year			(1)	2
<b>Balance at the end of the year</b>			<b>23</b>	<b>24</b>

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2014</b>									
Trade/Other Payables	570	515	414					1,499	2,164
Loans & Advances		2,611	2,692	2,720	2,803	2,714	33,783	47,323	47,323
<b>Total Financial Liabilities</b>	<b>570</b>	<b>3,126</b>	<b>3,106</b>	<b>2,720</b>	<b>2,803</b>	<b>2,714</b>	<b>33,783</b>	<b>48,822</b>	<b>49,487</b>
<b>2013</b>									
Trade/Other Payables	796	495	581	-	-	-	-	1,872	4,911
Loans & Advances	-	2,382	2,384	2,451	2,464	2,530	25,760	37,971	37,971
<b>Total Financial Liabilities</b>	<b>796</b>	<b>2,877</b>	<b>2,965</b>	<b>2,451</b>	<b>2,464</b>	<b>2,530</b>	<b>25,760</b>	<b>39,843</b>	<b>42,882</b>

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.6%	-	0.5%
Trade/Other Payables	2,164	0.0%	4,911	0.0%
Loans & Advances - Fixed Interest Rate	47,323	3.5%	37,971	3.2%
	<u>49,487</u>		<u>42,882</u>	

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 16 - Material Budget Variations

Council's Original Financial Budget for 13/14 was incorporated as part of its Operational Plan and was adopted by Council on 27 June, 2013.

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 2013/14 financial year including transactions between activity areas and entities eliminated from the actual figure, and do not include council approved variations throughout the year.

Following the global financial crisis, Council has remained cautious with its forecasts for Interest & Investment Revenue. A return of 4% was estimated in original budget. Due to the strength and diversity of Council's investment portfolio, a return of 6.2% was achieved earning \$1,037,000 above the original estimate at the 30 June.

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 16% or \$838,000 on the budgeted figure. Once again flood damage works were a significant factor with additional funds of \$1,286,000 for roads and bridges. During the year Council was successful in receiving two grants associated with household waste management totaling \$156,000. Also Council received \$48,000 from RMS as a contribution to drainage works at EJ Biffen Fields, \$85,000 from Office of Environment & Heritage for a Vegetation Mapping Program, beach access and other heritage projects, and \$129,000 from Trade & Investment for a waste water treatment project at Gumma Reserve and for Weed Management. Also further funding of \$143,000 was received for the Healthy Communities Project and \$72,000 for biodiversity and noxious weeds. Also there was a variation between operating and capital estimates for regional road funding of \$102,000. The Roads to Recovery grant of \$531,000 although shown as a capital item in Council's budget relating to the rehabilitation of roads is required to be shown as operating in the financial statements in accordance with the Code of Accounting Practice. This year also saw the termination of the advance payment of the following year's first installment of the Financial Assistance Grant which offset the above variances by \$1,800,000.

With capital Grants & Contributions, in relation to the \$1,429,000 decrease this was primarily related to the original budget allocation for the Off Stream Water Storage Project being overestimated by \$1,842,000 in relation to the actual funding to be received for the year. Conversely, Council was successful in receiving \$567,000 for Stage 3 of the Bellwood to Macksville Cycleway. Council also received an additional \$151,000 in developer contributions and subdivider dedications, 97,000 in water mains contributions, and \$87,000 in Flood Damage restoration. The recording of the Roads to Recovery and RTA grants mentioned above in operating grants accounted for the remaining variation.

Council did not replace all expected plant shown in the original budget. Net Gains from the disposal of assets was therefore reduced by \$110,000. Council though, gained a profit of \$70,000 on Real Estate Land that was not included in the original budget. Also not shown in the original budget was a loss on land sold to the Nambucca River Jockey Club as well as the Property & Infrastructure associated with the Bowraville Works Depot, as well as the write off of replaced bridges and minor water assets produced a loss on sale of assets of \$192,000. The above variances accounted for the result shown in Net Losses from the disposal of assets.

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.

**Notes to the Financial Statements**  
for the financial year ended 30 June 2014

**Note 16 - Material Budget Variations (Continued)**

In materials and contracts, the process of calling and accepting tenders during the year can result in substantial changes to the mix of self-constructed and contracted works. Work relating to the flood damage events mentioned earlier also contributed to the variance in materials & contracts.

The increase in borrowing costs to that budgeted reflects the unwinding of present value for the interest free loan of \$12.75m relating to the Nambucca Sewerage Augmentation Project.

Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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	
Open Space	811	75	-	42	(141)	-	787	472	(420)	839	-
Surf Club Equipment Section 94 Planner	20 (121)	4	-	1	(15)	-	10 (112)	23	-	33 (112)	-
<b>S94 Contributions - under a Plan</b>	<b>710</b>	<b>88</b>	<b>-</b>	<b>43</b>	<b>(156)</b>	<b>-</b>	<b>685</b>	<b>495</b>	<b>(420)</b>	<b>760</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>546</b>	<b>145</b>	<b>-</b>	<b>32</b>	<b>(63)</b>	<b>-</b>	<b>660</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>1,256</b>	<b>233</b>	<b>-</b>	<b>75</b>	<b>(219)</b>	<b>-</b>	<b>1,345</b>				<b>-</b>
S64 Contributions	5,653	231	-	289	(660)	-	5,513				-
<b>Total Contributions</b>	<b>6,909</b>	<b>464</b>	<b>-</b>	<b>364</b>	<b>(879)</b>	<b>-</b>	<b>6,858</b>	<b>495</b>	<b>(420)</b>	<b>760</b>	<b>-</b>

**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	811	75	-	42	(141)	-	787	472	(420)	839	-
<b>Total</b>	<b>811</b>	<b>75</b>	<b>-</b>	<b>42</b>	<b>(141)</b>	<b>-</b>	<b>787</b>	<b>472</b>	<b>(420)</b>	<b>839</b>	<b>-</b>



Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

**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	20	4	-	1	(15)	-	10	23	-	33	-
<b>Total</b>	<b>20</b>	<b>4</b>	<b>-</b>	<b>1</b>	<b>(15)</b>	<b>-</b>	<b>10</b>	<b>23</b>	<b>-</b>	<b>33</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER Section 94

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	(121)	9	-	-	-	-	(112)	-	-	(112)	-
<b>Total</b>	<b>(121)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(112)</b>	<b>-</b>	<b>-</b>	<b>(112)</b>	<b>-</b>

**S94A LEVIES - UNDER A PLAN**

CONTRIBUTION PLAN - STREETSCAPE

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	
Other1 (Streetscape)	546	145	-	32	(63)	-	660	1,246	(1,049)	-	-
<b>Total</b>	<b>546</b>	<b>145</b>	<b>-</b>	<b>32</b>	<b>(63)</b>	<b>-</b>	<b>660</b>	<b>1,246</b>	<b>(1,049)</b>	<b>-</b>	<b>-</b>

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

"The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2014 was \$417,755. The last valuation of the Scheme was performed by Mr. Martin Stevenson BSc,FIA,FIAA on 20 February 2014 and covers the period ended 30 June 2014. However the position is monitored annually and the Actuary has estimated that as at 30th June 2014 a deficit still exists. Effective from 1 July 2014, employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$160,498. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

The share of this deficit that can be broadly attributed to your organisation was estimated to be in the order of \$641,992 as at 30 June 2014.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

##### (i) HIH Insurance

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

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

##### (ii) Third Party Claims

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

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

##### (iii) S94 and S94A 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 30/6/08.

##### (ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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\$ '000

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Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

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#### **Subsidiaries**

**Note 19(a)**

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

#### **Associated Entities & Joint Venture Entities**

**Note 19(b) (i)&(ii)**

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

#### **Joint Venture Operations**

**Note 19(c)**

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

#### **Subsidiaries, Associated Entities and Joint Ventures Not Recognised**

**Note 19(d)**

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\$ '000

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#### **(a) Subsidiaries (ie. Entities & Operations controlled by Council)**

Council has no interest in any Subsidiaries.

#### **(b) Associated Entities & Joint Venture Entities**

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

#### **(c) Joint Venture Operations**

Council has no interest in any Joint Venture Operations.

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

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

None.

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		234,510	220,897
a. Correction of Prior Period Errors	20 (c)	-	3,865
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		5,806	6,393
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		83	3,355
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<b>240,399</b>	<b>234,510</b>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		87,214	83,058
<b>Total</b>		<b>87,214</b>	<b>83,058</b>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		83,058	86,397
- Revaluations for the year	9(a)	4,258	26
- (Impairment of revalued assets) / Impairment reversals	9(a), (c)	(19)	(10)
- Transfer to Retained Earnings for Asset disposals		(83)	(3,355)
- <b>Balance at End of Year</b>		<b>87,214</b>	<b>83,058</b>
<b>"Available for Sale" Financial Investments Revaluation Reserve</b>			
- Opening Balance		-	-
- <b>Balance at End of Year</b>		-	-
<b>Other Reserves</b>			
- Opening Balance		-	-
- <b>Balance at End of Year</b>		-	-
<b>TOTAL VALUE OF RESERVES</b>		<b>87,214</b>	<b>83,058</b>

**(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 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
- Rubbish Tip Provision Reduction			326
As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
Council revalued the following asset classes for the 12/13 Year End:			
- Operational Land & Buildings			
- Plant & Equipment			
- Furniture & Equipment			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/12 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/12 to reflect the correct value of accumulated depreciation;			
Operational Land Class (increase)/decrease to accumulated depreciation			140
Buildings - Special Class (increase)/decrease to accumulated depreciation			1,187
Buildings - Non Special Class (increase)/decrease to accumulated depreciation			2,212
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/12.			
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/12			-
(relating to adjustments for the 30/6/12 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/13			3,865
(relating to adjustments for the 30/6/13 year end)			
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>-</b>	<b>3,865</b>

**(d) Voluntary Changes in Accounting Policies**

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

## Nambucca Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

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

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
<u>Continuing Operations</u>	<u>Other</u>	<u>Water</u>	<u>Sewer</u>	<u>General<sup>1</sup></u>
<b>Income from Continuing Operations</b>				
Rates & Annual Charges		749	3,431	12,783
User Charges & Fees		3,523	742	1,355
Interest & Investment Revenue		633	358	1,255
Other Revenues		249	112	113
Grants & Contributions provided for Operating Purposes		87	75	5,939
Grants & Contributions provided for Capital Purposes		8,413	192	1,277
<b>Other Income</b>				
<b>Total Income from Continuing Operations</b>	-	<b>13,654</b>	<b>4,910</b>	<b>22,722</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs		1,141	1,343	7,075
Borrowing Costs		1,324	283	1,226
Materials & Contracts		932	1,491	7,276
Depreciation & Amortisation		1,023	1,829	7,231
Other Expenses		-	-	3,191
Net Losses from the Disposal of Assets		9	-	106
<b>Total Expenses from Continuing Operations</b>	-	<b>4,429</b>	<b>4,946</b>	<b>26,105</b>
<b>Operating Result from Continuing Operations</b>	-	<b>9,225</b>	<b>(36)</b>	<b>(3,383)</b>
<b>Discontinued Operations</b>				
Net Profit/(Loss) from Discontinued Operations		-	-	-
<b>Net Operating Result for the Year</b>	-	<b>9,225</b>	<b>(36)</b>	<b>(3,383)</b>
<b>Net Operating Result attributable to each Council Fund</b>	-	<b>9,225</b>	<b>(36)</b>	<b>(3,383)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	-	<b>812</b>	<b>(228)</b>	<b>(4,660)</b>

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

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

## Nambucca Shire Council

## Notes to the Financial Statements

as at 30 June 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
	Other	Water	Sewer	General <sup>1</sup>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents		3,358	1,101	1,554
Investments		17,733	5,814	8,205
Receivables		3,199	473	2,936
Inventories		42	-	1,195
Other		-	-	117
<b>Total Current Assets</b>	-	<b>24,332</b>	<b>7,388</b>	<b>14,007</b>
<b>Non-Current Assets</b>				
Receivables		-	429	-
Inventories		-	-	21
Infrastructure, Property, Plant & Equipment		82,605	75,654	177,285
<b>Total Non-Current Assets</b>	-	<b>82,605</b>	<b>76,083</b>	<b>177,306</b>
<b>TOTAL ASSETS</b>	-	<b>106,937</b>	<b>83,471</b>	<b>191,313</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables		123	62	1,564
Borrowings		314	1,602	695
Provisions		-	-	3,678
<b>Total Current Liabilities</b>	-	<b>437</b>	<b>1,664</b>	<b>5,937</b>
<b>Non-Current Liabilities</b>				
Payables		-	-	844
Borrowings		23,982	8,733	11,997
Provisions		-	-	514
<b>Total Non-Current Liabilities</b>	-	<b>23,982</b>	<b>8,733</b>	<b>13,355</b>
<b>TOTAL LIABILITIES</b>	-	<b>24,419</b>	<b>10,397</b>	<b>19,292</b>
<b>Net Assets</b>	-	<b>82,518</b>	<b>73,074</b>	<b>172,021</b>
<b>EQUITY</b>				
Retained Earnings		58,156	52,244	129,999
Revaluation Reserves		24,362	20,830	42,022
Council Equity Interest	-	<b>82,518</b>	<b>73,074</b>	<b>172,021</b>
<b>Total Equity</b>	-	<b>82,518</b>	<b>73,074</b>	<b>172,021</b>

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

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



## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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\$ '000

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	2014	2014	2013	2013
\$ '000	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 2014

#### Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) and 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 applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 25/09/14.

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

##### (i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### (ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

#### 1. Freeze on the indexation of Commonwealth Financial Assistance Grants

The Commonwealth Government in its 2014/15 budget announced a freeze on the indexation of Financial Assistance Grants commencing in 2014/15 for a period of 4 years. The table below indicates that in 2014/15 there will be an unbudgeted reduction in financial assistance grant revenue to Council of \$121,688.

Financial Assistance Grants							
	2013-14	Budget	Variance	Advised	Variance	Advised	Variance
		2014-15		5/08/2014		13/08/2014	to budget
Roads							
Component	1,122,400	1,167,300	-44,900	1,132,000	-35,300	1,139,022	-28,278
General							
Purpose	2,498,700	2,598,600	-99,900	2,488,000	-110,600	2,505,190	-93,410
<b>Total</b>	<b>3,621,100</b>	<b>3,765,900</b>	<b>-144,800</b>	<b>3,620,000</b>	<b>-145,900</b>	<b>3,644,212</b>	<b>-121,688</b>

#### 2. Proposed "handover" of maintenance responsibility for approximately 30km of the old (existing) Pacific Highway upon completion of the Pacific Highway upgrade through the Nambucca Valley

The construction of the Pacific Highway upgrade on a new alignment through the Nambucca Valley commenced in 2013 with the Nambucca Heads to Urunga section. In July 2014 the RMS entered into contracts with Acciona Ferrovia to construct the section between Warrell Creek and Nambucca Heads.

NSW Roads and Maritime Services has advised Council that should it be determined that the bypass road no longer meets State Road classification, that they will withdraw from its maintenance when the upgrade works are completed with the result being that the ongoing maintenance and liability, will by default automatically revert to Council as the roads authority pursuant to the NSW Roads Act 1993. Besides the Macksville Bridge which may remain in ownership of Roads and Maritime, there are approximately 13 major bridge or culvert structures on the 30 km section of the roads they intend to hand over. There are also a number of minor roads being constructed as part of the highway upgrade to provide local access which will also revert to Council to maintain. The length of road and bridges constitutes about 10% of Council's existing sealed road and bridge infrastructure. The RMS advise there will be an opportunity for a fixed term project handover funding package to be determined. It is unknown whether the handover funding package will be sufficient to offset the depreciation of this infrastructure. This is a major concern given the relative scale of proposed asset "handover" and Council's existing inability to fully fund the depreciation of assets.

## Nambucca Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 24. Discontinued Operations

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

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 2014

#### Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
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Intangible Assets represent identifiable non-monetary asset without physical substance.

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

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### 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	
		2014	2013
Old Coast Road - Nambucca Heads	2014	478	457
Balance at End of the Reporting Period	10(a)	<u>478</u>	<u>457</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	457	763
Amortisation of discount (expensed to borrowing costs)	21	20
Expenditure incurred attributable to Provisions		(326)
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b><u>478</u></b>	<b><u>457</u></b>

#### Amount of Expected Reimbursements

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

#### Provisions for close down and restoration and for environmental clean up costs – Tips

##### Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

**Fair value hierarchy**

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability

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

2014	Note	Level 1 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
Investments-at fair value through profit & loss	6	5,519	516	6,035
<b>Infrastructure, Property, Plant and Equipment</b>				
Plant & Equipment, Office Equipment & Furniture & Fittings	9		3,803	3,803
Operational Land	9		6,916	6,916
Community Land	9		16,218	16,218
Land under Roads	9		2,577	2,577
Land Improvements-Depreciable	9		699	699
Buildings-Non Specialised & Specialised	9		20,209	20,209
Other Structures	9		4,383	4,383
Roads	9		64,673	64,673
Bridges	9		25,765	25,765
Footpaths	9		2,681	2,681
Bulk Earthworks-non depreciable	9		18,278	18,278
Stormwater Drainage	9		8,716	8,716
Water Supply Network	9		38,279	38,279
Sewer Supply Network	9		72,397	72,397
Swimming Pools	9		1,362	1,362
Other Open Space/Recreational Assets	9		1,932	1,932
Other Infrastructure	9		2,571	2,571
Heritage Collections	9		375	375
Other	9		170	170
Tip Remediation	9		166	166
<b>Total</b>		<b>5,519</b>	<b>292,686</b>	<b>298,205</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

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**Valuation Techniques**

**Level 1 Measurements**

**Financial Assets:**

Investments – Managed Funds - Council obtains market valuations from UBS on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The managed funds are observable as unit prices are struck daily. Council at least receives a mark-to-market market value of the managed funds on a monthly basis but could actually receive them on a daily basis if need be.

**Level 3 Measurements**

**Financial Assets:**

Investments – At fair value through profit and loss are represented by a Floating Rate Note. Council obtains valuations from Curve Securities for the ING FRN on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations sourced from Curve Securities are based on mid-market valuations. That is, valuations are marked at the mid-point of the bid and ask prices, which are variable (unobservable inputs) in the secondary market.

**Plant & Equipment, Office and Furniture & Fittings**

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers.
- Furniture & Fittings - Chairs, desks and display boards.

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

**Operational Land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. Operational land was valued by Asset Val (registered valuer) in 2013.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

**Community Land**

Community Land is based on either the Land Value provided by the Valuer-General's unimproved capital value or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

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**Buildings – Non specialised and specialised**

Non-Specialised & Specialised Buildings were valued externally by Aust Val in 2013. The buildings were inspected and construction method, materials used and condition were noted and considered when providing a value on a depreciated cost basis, useful life and residual value.

No market based evidence (Level 2) could be established; as such these assets were classified as having been valued as Level 3 valuation inputs. Specialised buildings are typically of a unique value to Council and are therefore intrinsically valued at the highest and best purpose.

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

**Roads (including Bulk Earth Works), Bridges, Drainage and Footpaths**

Valuations for this asset class were undertaken in-house by Council's Engineering Department.

The assets included in this valuation include road carriageway which has been separated to its component parts being pavement and where appropriate seal, car parks, footpaths, guardrails, kerb and gutter, retaining walls, culverts, bridges and drainage structures.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The cost approach was utilised with inputs such as estimated pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally and due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Bulk earthworks are considered to have an indefinite useful life and not depreciated.

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

**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<sup>st</sup> July 2008 in accordance with AASB 1051. The class was valued in 2014 using an average unit rate based on the land value provided by the Valuer-General for similar properties. As these rates were not considered to be observable market evidence they have been classified a Level 3 inputs.

**Water Supply Network**

Assets in this class comprise reservoirs, pumping stations, water treatment works, water bores, rising mains and the reticulation network.

These were valued externally by Collaborative Planning and Engineering Associates in 2012 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, condition, maintenance and break history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water except the years the class is the subject of a full revaluation.

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



Notes to the Financial Statements  
for the financial year ended 30 June 2014

**Note 27. Fair Value Measurement**

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**Sewer Supply Network**

Assets within this class comprise treatment works, pumping stations and sewerage mains.

These were valued externally by Collaborative Planning and Engineering Associates in 2012 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, and maintenance and blockage history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water except the years when the class is the subject of a full revaluation.

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

**Open Space/Recreational Assets/Other Structures/Other Infrastructure**

Assets within this class comprise soft fall surfaces, lighting, playground and sporting equipment plus auxiliary structures. All assets in this class were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

**Swimming Pool**

Assets in this class comprise the Council's Aquatic Centre located at Macksville. The swimming pool was valued in house by experienced staff using the depreciated cost approach. The approach estimated the replacement cost for each component. Other unobserved inputs (level 3 inputs) that were considered include pattern of consumption, residual value, asset condition and expected useful life. These inputs relied substantially on professional opinion.

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

**Heritage Collections**

Assets in this class were valued in house, based on historic values and limited indirect observable inputs. Council holds these assets for their cultural value within the community. These assets do have a market among collectors and market evidence (Level 2 input) is available, however this information is often limited to similar items and often relate to assets that are not directly comparable. This asset class has therefore been categorised as level 3 unobserved input

**Landfill Remediation**

This asset class represents the value of works to remediate the Nambucca Landfill under the terms of the facility's licence. The future service potential of the asset is to enable Nambucca Shire to comply with the life-cycle responsibilities of the land fill operation. There is no market for the asset and it is therefore classed as having a level 3 fair value with unobserved inputs, principally cost, legislative requirements, estimated timing of expense, CPI and discount rules. The best and highest use for the asset is unique to Nambucca Shire Council as the Licence holder.

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

**Highest and best use**

All assets valued at fair value in this note are being used for their highest and best use.

**Transfers between levels of the hierarchy**

There have been no movements between hierarchies in the 2013/2014 financial year.

**Reconciliation of Movements**

A reconciliation of the movements in recurring fair value measurements allocated to Level 1 and 3 of the hierarchy is provided below:

	Note	Level 1 \$'000	Level 3 \$'000
Balance at 1 July 2013		5,629	289,621
<b>Total gains or losses for the year</b>			
Recognised in profit or loss – realised		(110)	
Recognised in profit or loss - unrealised	9a		4,241
<b>Other movements</b>			
Purchases	9a		6,226
Purchases – Work in Progress Transfer	9a		2,968
Sales	9a		(196)
Depreciation	9a		(10,174)
<b>Balance as at 30 June 2014</b>		5,519	292,686

**Unobservable Inputs and sensitivities**

Asset/Liability Category	Carrying amount (at Fair Value) \$'000	Key unobservable inputs	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investments – At fair value through profit or loss	516	Quoted Unit Price	1.0277–1.0325	Significant changes in the estimated & actual unit price would result in significant changes to fair value measurement
		Secondary Market bid prices, and purchase price	\$500,000	
P & E, Office Equipment & F & F	3,803	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Remaining useful life	From 1 year to 20 years	
		Residual value	From 0% to 40%	
Operational Land	6,916	Price per square metre, Local property prices, alternative use	From \$0.28 to \$200 per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Community Land	16,218	Unimproved Capital Value (price per square metre)	From \$0.10 to \$411.40 per square metre	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land under Roads	2,577	Unimproved Capital Value (price per square metre)	From \$3.60 to \$217.59 per square metre	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Improvements - depreciable	699	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 25 years to 100 years	
		Residual value	From 0% to 100%	
Buildings	20,209	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 20 to 60 years	
		Residual value	From 5% to 21%	
Other Structures	4,383	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 3 years to 80 years	
		Residual value	From 0% to 15%	
Roads	64,673	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 2 years to 34 years	
		Residual value	From 0% to 5%	

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Bridges	25,765	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 2 to 80 years	
		Residual value	1%	
Footpaths	2,681	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 40 to 10 years	
		Residual value	0%	
Bulk Earthworks – non depreciable	18,278	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life/ residual value Residual value	Held in perpetuity	
Stormwater Drainage	8,716	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 15 years to 30 years	
		Residual value	5%	
Water Supply Network	38,279	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Mean component remaining useful lives	From 3 years to 53 years	
		Residual value	From 1% to 17%	
Sewer Supply Network	72,397	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		mean component remaining useful lives	From 11 years to 50 years	
		Residual value	0 to 47%	

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Swimming Pools	1,362	Gross Replacement Cost	\$4,038,370	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	14	
		Residual value	\$400,000	
Other Open Space/Recreational Assets	1,932	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	Year to 46 years	
		Residual value	0% to 66%	
Other Infrastructure	2,571	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 8 years to 100 years	
		Residual value	From 5% to 10%	
Heritage Collections	375	Gross Replacement Cost	Total Current replacement value \$520,000	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life - Residual value	Held in perpetuity	
Other	170	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 8 years to 100 years	
		Residual value	From 5% to 10%	
Tip Remediation	166	Discount Rate, Regulation change, unit cost assumptions ,CPI	6%	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement. Also timing of work and regulation change.

## Nambucca Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 28. Council Information & Contact Details

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**Principal Place of Business:**

44 Princess Street  
MACKSVILLE NSW 2447

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

Po Box 177  
MACKSVILLE NSW 2447

**Opening Hours:**

Monday to Friday - 8.30am to 4.00pm

**Telephone:** 02 6568 2555

**Facsimile:** 02 6568 2201

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

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

**Officers****GENERAL MANAGER**

Michael Coulter

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Doolan

**PUBLIC OFFICER**

Michael Coulter

**AUDITORS**

Forsyths Business Services Pty Ltd  
PO Box 114  
ARMIDALE NSW 2350

**Elected Members****MAYOR**

Rhonda Hoban

**COUNCILLORS**

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

**Other Information**

**ABN:** 71 323 535 981

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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

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

**To Nambucca Shire Council**

**SCOPE**

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Nambucca Shire Council (the Council), for the year ended 30<sup>th</sup> June 2014.

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

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

***Auditor's responsibility***

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

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

## **INDEPENDENCE**

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

## **AUDIT OPINION**

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
  - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2014 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

20<sup>th</sup> October 2014  
92 Rusden Street Armidale



20 October 2014

The Mayor  
Nambucca Shire Council  
PO Box 177  
MACKSVILLE 2447

**Armidale**

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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

Dear Sir

**AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2014 and have reported on the general purpose financial statements and special purpose financial statements and underlying accounting records as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

***Councils Responsibilities***

The Council is responsible for preparing a financial statements that gives a true and fair view of the financial position and performance of the Council, and 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.

***Audit Objectives***

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

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

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

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

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

We have issued our audit opinion on the basis of foregoing comments.

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

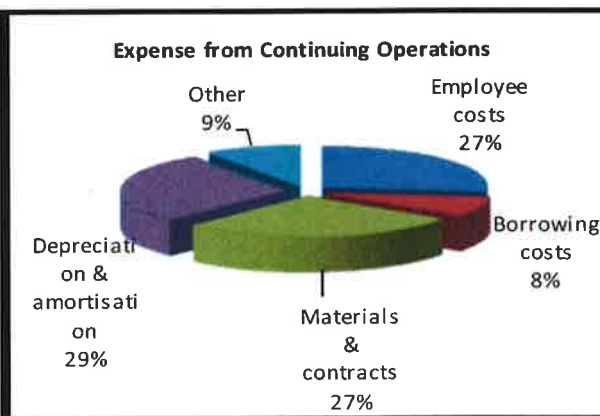
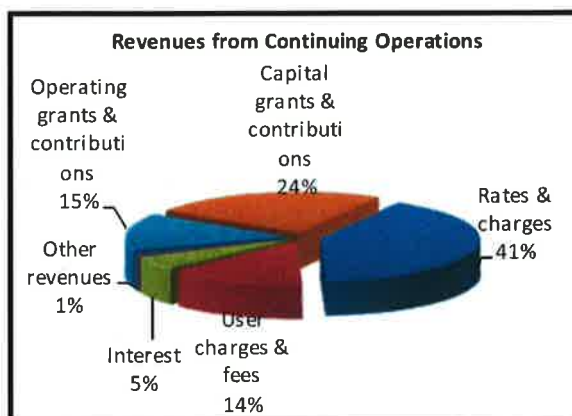
This auditor's report relates to the financial statements of Nambucca Shire Council for the year ended 30 June 2014 included on Nambucca Shire Council's web site. Council is responsible for the integrity of it's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Additional Reporting Requirements**

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

The combined income statement for the year ended 30 June 2014 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2014	2014	2013	Actual	Budget
	\$'000	\$'000	\$'000	%	%
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	17,189	16,963	15,547	9.1%	-1.3%
User charges & fees	5,168	5,620	4,880	15.2%	8.7%
Interest	1,209	2,246	2,381	-5.7%	85.8%
Other revenues from ordinary activities	456	474	509	-6.9%	3.9%
Grants & contributions for operating purposes	5,263	6,101	9,114	-33.1%	15.9%
Grants & contributions for capital purposes	11,311	9,882	16,290	-39.3%	-12.6%
Gain from sale of assets	117	0	0	0.0%	0.0%
<b>Total income from continuing operations</b>	<b>40,713</b>	<b>41,286</b>	<b>48,721</b>	<b>-15.3%</b>	<b>1.4%</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	9,823	9,559	9,692	-1.4%	-2.7%
Borrowing costs	2,458	2,833	1,848	53.3%	15.3%
Materials and contracts	8,007	9,699	11,214	-13.5%	21.1%
Depreciation & amortisation	10,047	10,083	10,074	0.1%	0.4%
Other expenses from ordinary activities	3,441	3,191	3,228	-1.1%	-7.3%
Loss from disposal of assets	0	115	6,272	-98.2%	0.0%
<b>Total Expenses from continuing operations</b>	<b>33,776</b>	<b>35,480</b>	<b>42,328</b>	<b>-16.2%</b>	<b>5.0%</b>
<b>NET OPERATING RESULT FOR YEAR</b>	<b>6,937</b>	<b>5,806</b>	<b>6,393</b>	<b>-9.2%</b>	<b>-16.3%</b>
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>(4,374)</b>	<b>(4,076)</b>	<b>(9,897)</b>	<b>-58.8%</b>	<b>-6.8%</b>



The operating result of \$5.8m is after recognising grants and contributions for capital expenditure purposes of \$9.9m. The expenditure of these grants is not recognised as part of the operating result but is recorded in the statement of financial position and when excluded council achieved a deficit of \$4.1m (2013: deficit \$9.9m).

Operating revenues decreased by 15.3% during the year mainly as a result of grants & contributions for operating and capital purposes and interest which were partially offset by an increase in rates & annual

charges and user charges. Grants & contributions for capital purposes decreased mainly due to a reduction in the grants for the Off-River Water Storage project as the project reaches completion. Interest revenue decreased due to lower cash and investment balances during the year as a result of the timing of progress payments in relation to the Off-River Water Storage project. Rates & annual charges increased due to rate pegging increases and waste, water and sewer annual charge increases. User charges & fees increased due mainly to increased water usage charges and waste management charges.

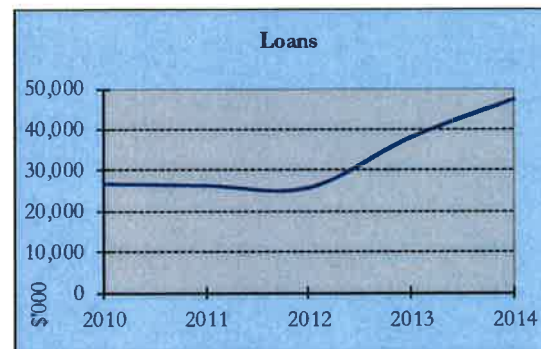
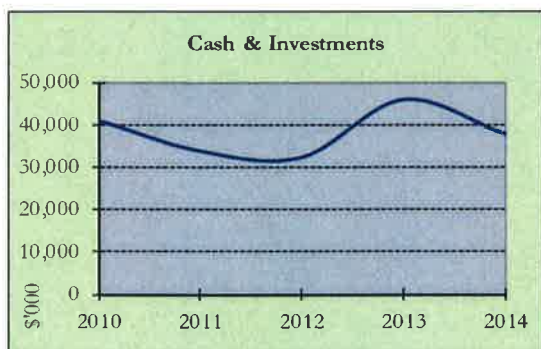
Operating expenses decreased by 16.2% during the year due to decreases in employee benefits & on costs, materials & contracts and losses on disposal of assets. Employee costs decreased due to an increase in capitalisation of staff costs into capital projects during the year. Materials and contracts decreased mainly as a result of a reduction in work related to flood damage. The large loss on the disposal of assets in the 2013 year was mainly due to the transfer of the Macksville Showgrounds including the Saleyards to the Nambucca District Agricultural Association Limited, the loss of control of the Crown land associated with the Nambucca Headland Caravan Park and Bowraville Pre-School and the write-off of a lot of industrial land that had been erroneously included in Councils property register.

The operating surplus for the year of \$5.8m compares with the original budget surplus of \$6.9m. The variance between the actual results and the original budget is primarily due to the following:

Large Budget Variations >10%		Comment
Interest & Investment revenues	1,037,000	Favourable variance due to conservative budgeting and increased cash and investment levels during the year due to timing of progress payments for the Off-River Water Storage project.
Operating Grants	838,000	Favourable variance to budget mainly due to the receipt of funding for flood damage works.
Capital Grants	(1,429,000)	Capital grants were unfavourable to budget mainly due to an overestimation of the grants in relation to the Off-River Water Storage project.
Borrowing Costs	(375,000)	Favourable to budget mainly due to the timing of draw-downs of the loans for the construction of the Off-River Water Storage project.
Materials & Contracts	(1,692,000)	Unfavourable to budget mainly due to a decrease in the capital works projects and a increase in maintenance work.

The following schedule of assets and liabilities has been extracted from the statement of financial position as at 30 June 2014. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2014	2013	Variance
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6,013	15,217	-60.5%
Investments	31,752	30,618	3.7%
Receivables	6,608	6,282	5.2%
Inventories	1,237	995	24.3%
Other	117	75	56.0%
<b>TOTAL CURRENT ASSETS</b>	<b>45,727</b>	<b>53,187</b>	<b>-14.0%</b>
<b>CURRENT LIABILITIES</b>			
Payables	1,749	4,383	-60.1%
Borrowings	2,611	2,382	9.6%
Provisions	3,678	3,686	-0.2%
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,038</b>	<b>10,451</b>	<b>-23.1%</b>
<b>NET CURRENT ASSETS</b>	<b>37,689</b>	<b>42,736</b>	<b>-11.8%</b>
<b>NON-CURRENT ASSETS</b>			
Inventories	21	21	0.0%
Infrastructure, Property Plant & Equipment	335,544	311,476	7.7%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>335,565</b>	<b>311,497</b>	<b>7.7%</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	415	581	-28.6%
Provisions	514	495	3.8%
Borrowings	44,712	35,589	25.6%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>45,641</b>	<b>36,665</b>	<b>24.5%</b>
<b>NET ASSETS</b>	<b>327,613</b>	<b>317,568</b>	<b>3.2%</b>



Cash and investments have decreased from \$45.8m to \$37.8m during the year mainly due payments in relation to the construction of the Off-River Water Storage project. Receivables increased due to dam project related receivables at year end. Inventory has increased due to the a bridge project that was deferred.

Payables have decreased to a more normal level. The 2013 payables had significant payables in relation for the new dam project.

The total borrowings increased by \$9.4m to \$47.3m due to borrowings for the Off-River Water Storage project.

The increase in infrastructure, property, plant and equipment of \$24.1m is due capital expenditure of \$30.2m (including the new dam project), revaluation of infrastructure of \$4.3m partially offset by depreciation, impairment and adjustments of 10.2m.

**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 other than for 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	24,332	7,388	1,641	12,366	45,727
Current Liabilities	437	1,664	-	5,937	8,038
<b>Net Current Assets</b>	<b>23,895</b>	<b>5,724</b>	<b>1,641</b>	<b>6,429</b>	<b>37,689</b>
<b>Plus: Employee Entitlements Payable &gt;12mths</b>	-	-	-	2,670	2,670
<b>Total Funds before Restrictions</b>	<b>23,895</b>	<b>5,724</b>	<b>1,641</b>	<b>9,099</b>	<b>40,359</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Developer Contributions	3,606	1,907	-	1,345	6,858
Unexpended Loans	8,983	-	-	392	9,375
Security Deposits	-	-	-	568	568
Unexpended Grants	-	-	-	797	797
	12,589	1,907	-	3,102	17,598
<b>NET FUNDS AVAILABLE</b>	<b>11,306</b>	<b>3,817</b>	<b>1,641</b>	<b>5,997</b>	<b>22,761</b>
<b>LESS Internal Restrictions</b>	-	-	-	4,410	4,410
<b>Net Funds After All Restrictions</b>	<b>11,306</b>	<b>3,817</b>	<b>1,641</b>	<b>1,587</b>	<b>18,351</b>

<b>INTERNAL RESTRICTIONS</b>	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Council Building Reserve	184	-	-	184
Election	27	30	-	57
Employee Entitlements	1,767	325	111	1,981
Environmental rate unallocated	254	349	242	361
Lawn cemetery	8	-	-	8
Onsite -sewer maintenance	13	-	-	13
Land Development	248	-	41	207
Office Equipment	154	25	34	145
Plant Replacement	325	-	21	304
Public Road/Reserves Sales	51	-	-	51
Stormwater Management	141	1	-	142
Swimming Pool	53	20	-	73
Waste Management	407	102	2	507
Other	171	292	86	377
	3,803	1,144	537	4,410

After Funding both external and internal restrictions Council’s general fund has unrestricted funds of \$1.6m (2013: \$1.0m) which is considered adequate to cover working capital requirements.

Council has set aside \$2.0m to fund the employee leave entitlements provision. This amount represents

53.3% of the total liability and is considered adequate given the existing staff levels and age profiles.

### LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

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	2014	2013	2012	2011	2010	Tcorp
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-14.2%	-13.3%	-9.5%	-14.9%	-6.4%	>-4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	60.9%	42.4%	55.3%	51.4%	55.5%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.72	1.71	2.02	2.30	3.93	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	1.59	1.94	2.43	1.96	6.77	>2.0
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	4.4%	4.9%	5.8%	6.2%	5.8%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	10.89	15.88	5.38	1.07	0.84	>3

#### Operating performance

An operating performance deficit of 14.2% compares to a deficit in 2013 of 13.3% and means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. This compares to the Group 11 Councils average deficit of 3.2% and a state average deficit of 5.0% for 2013. The TCorps benchmark for this ratio is to have a deficit of less than 4.0% each year.

#### Owned source operating revenue

A ratio of 60.9% (2013: 42.4%) for the 2014 year highlights Council's dependence on grants and contributions and compares to a Group 11 average of 55.0% for 2013 and a State average of 58.6% for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 60%.

#### Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The

ratio of 2.72 as at 30 June 2014 indicates that there is \$2.72 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 2.72 compares to the average of 4.8 for the Group 11 Councils and is lower than the State average of 4.0 for 2013. However, the ratio is higher than the TCorp benchmark of greater than 1.5.

*Debt service cover ratio*

The debt service cover ratio of 1.59 times indicates that council has \$1.59 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 11 average of 13.8 and the state average of 29.2 for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

*Outstanding rate ratio*

The outstanding rate ratio of 4.4% compares favourably to the average of 7.4% for Group 11 Councils and the State average of 7.0% for 2013. This ratio is an indicator of Councils activity to collect outstanding rate revenues.

*Cash expense ratio*

The ratio indicates that Council can pay 10.89 months of its expenses without additional cash inflows. This compares to the Group 11 average of 6.2 and the state average of 5.4 for 2013. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure.

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	16.9% (2014), 32.8% (2013)	-4.7% (2014), -29.4% (2013)	-24.4% (2014), -20.3% (2013)
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	37.8% (2014), 23.5% (2013)	94.6% (2014), 96.8% (2013)	67.6% (2014), 59.1% (2013)
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	3.14 (2014), 4.5 (2013)	0.28 (2014), 0.26 (2013)	2.14 (2014), 2.09 (2013)
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	182.4% (2014), 566.3% (2013)	93.2% (2014), 46.8% (2013)	234.8% (2014), 337.5% (2013)
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.5% (2014), 6.5% (2013)	5.3% (2014), 5.7% (2013)	4.2% (2014), 4.6% (2013)
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	68.94 (2014), 133.54 (2013)	17.66 (2014), 17.27 (2013)	1.68 (2014), 3.31 (2013)

*Operating performance*

An operating performance ratio by fund shows that sewer and general fund have insufficient operating



revenue, excluding capital grants and contributions to cover operating expenditure. As a result insufficient profit is being generated to fund the depreciation on assets.

*Owned source operating revenue*

The ratios show the Council's reliance on grant and contribution funding. The water fund showing the impact of the off-river storage project.

*Unrestricted Ratio*

The unrestricted ratios show that the general fund and water fund have sufficient working capital, however there is a need for the sewer fund to build up reserves.

*Debt service cover ratio*

The debt service cover ratio by fund shows that Council may have potential to increase borrowings to fund infrastructure backlogs.

*Outstanding rate ratio*

The outstanding rate ratio by fund shows that the outstanding rates are consistent across the funds

*Cash expense ratio*

This ratio shows that the general fund has low cash reserves and there is a need to build up reserves.

**Infrastructure Asset Performance Indicators**

With the emphasis on "Fit for the Future" we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2014	2013	2012	2011	2010	Tcorp
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	50.51%	68.47%	91.88%	84.00%	76.00%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of council's infrastructure.	22.0%	31.0%	29.0%	34.0%	33.0%	<20%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	93.0%	69.0%	55.0%	53.0%	52.0%	>100%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	2.98	1.59	1.23	2.12	1.73	>1.1

*Building and Infrastructure renewals ratio*

The building and infrastructure renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2014 Council spent \$0.51 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.87 and the state average of \$0.81 for 2013.

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

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

*Infrastructure backlog ratio*

An infrastructure backlog ratio 22% indicates that the infrastructure backlog represents 22% of the value of Councils infrastructure and compares to a Group 11 average of 13.1% and State average of 10.0% for 2013. The TCorp benchmark is a ratio less than 20%.

*Asset maintenance ratio*

The Asset Maintenance ratio of 93% indicates that Council has been undertaking insufficient maintenance to keep pace with required maintenance requirements as determine by council’s engineers and maintenance staff. This compares to a Group 11 average of 90% and State average of 70% for 2013. A ratio of greater than 100% is considered acceptable buy TCorp.

*Capital expenditure ratio*

The capital expenditure ratio of 2.98 indicates that Council has expended \$2.98 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1. The high ratio is due to the dam project expenditure in 2014.

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

CASH MOVEMENTS	Actual 2014	Actual 2013	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	44,770	50,871	-12.0%
Proceeds from Assets Sales	108	344	-68.6%
Repayment from Deferred Debtors	0	0	0.0%
Proceeds form sale of investments	0	-	0.0%
Proceeds from Borrowings	11,455	13,935	-17.8%
<b>TOTAL RECEIPTS</b>	<b>56,333</b>	<b>65,150</b>	<b>-13.5%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	32,440	27,877	16.4%
Purchase of Assets	29,885	22,155	34.9%
Purchase of investments	689	7,644	-91.0%
Repayment of Loans	2,518	2,121	18.7%
Other Payments	5	1	400.0%
<b>TOTAL PAYMENTS</b>	<b>65,537</b>	<b>59,798</b>	<b>9.6%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>(9,204)</b>	<b>5,352</b>	<b>-272.0%</b>
Cash and cash equivalents	6,013	15,217	-60.5%
Investments	31,752	30,618	3.7%
<b>Total Cash &amp; Investments on Hand</b>	<b>37,765</b>	<b>45,835</b>	<b>-17.6%</b>

Total cash and investments decreased from \$45.8m in 2013 to \$37.8m mainly due to funding the Off-River Water Storage project from carried forward reserves and net borrowings.

Cash outflows for purchase and construction of assets of \$29.9m included \$3.9m road and bridge construction totalling, \$24.0m for capital work in progress, \$0.5m on replacement plant, \$0.5m on footpaths, \$0.2 on buildings and structures and \$0.7m on water, stormwater and sewer infrastructure.

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 all assets to a “satisfactory standard” is \$53.0m.

## SPECIAL PURPOSE FINANCIAL STATEMENTS

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

### WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$422,000 after allowing for depreciation of \$1,023,000.

The Net Current Asset position records a positive balance of \$23,895,000 (2013: \$27,335,000) which provides a strong working capital balance to meet medium term funding requirements and fund the Off-River Water Storage project.

### SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the Sewerage Services function recorded an operating deficit (before capital funding) of \$406,000 after allowing for depreciation of \$1,829,000.

The current level of Net Current Assets of \$5,724,000 (2013: \$5,947,000) is very strong and is considered more than adequate to meet medium term funding requirements especially since the fund contributed to the sewer treatment works construction which was completed in prior years.

## FINANCIAL SUSTAINABILITY

Over the recent past there have been a number of reviews into local government financial sustainability and management (such as local government review panel report, local government Acts taskforce report, NSW Treasury Corporation (“TCorp”) report and the Infrastructure management audit) the outcomes from these reviews provide insight into the NSW Government expectations of councils and how they are assessing the viability and structure of local government in the future.

During the 2013 year all councils have had an external assessment by TCorp of their financial sustainability. TCorp has defined financial sustainability as follows:

*“A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community”*

Based on TCorps assessment of Council’s financial results from 2009 to 2012, the unaudited Special Schedule 7, ten year financial forecasts and other factors (e.g. Population growth, workforce demographics and skills, environmental and natural disaster factors) it has assessed Councils financial sustainability as Weak and its outlook as Negative.

It should be noted that the audit of the financial statements is an audit of Council at a point in time whereas the TCorp report evaluation is for the future sustainability of Council and:

- Did not take into account the financial results from 2013 and 2014;
- It includes unaudited data from Special Schedule 7 as well as the ten year financial forecast; and
- Is based upon future data, which includes assumptions and judgements regarding the future operations of Council, including what revenue and expenses will be incurred in the future, as well as significant judgement with regard to other non-financial information.

Based on our review of the TCorp report, for Council to maintain its financial sustainability position it will need to consider the following:

- Monitor rating and user charge revenue increases in order to match or exceed future increases in operational expenditure;
- Continue to improve its asset management plans and processes in order to understand future infrastructure replacement and maintenance needs;
- Prudent use of borrowings to support long term infrastructure improvements;
- Continue to review its long term financial forecast modelling and assumptions in order to provide an accurate picture of long term financial issues; and
- Continued community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

During 2013 an audit of Local Government infrastructure across all councils in NSW was conducted using a survey of councils' infrastructure management processes and practices, historical financial information and through a number of visits to councils. As a result of the audit councils asset management practices were graded as either Very Strong, Strong, Moderate, Weak, Very Weak or Distressed. Nambucca Shire Council was graded a "Moderate".

The audit identified the following focus areas for councils to achieve sustainable infrastructure service levels:

- Skilled People – develop asset management skills and capacity within councils;
- Appropriate Processes – implement appropriate asset management practices focusing on community service level negotiations, risk management and infrastructure vulnerability assessments, and identification of critical infrastructure;
- Reliable data – development of specific asset management measurement parameters, improved reporting of asset management and progress on achieving the delivery program; and
- Adequate resources – adequately fund asset management through the use of debt, local Government Renewal Scheme funding, special rate variations and grant funds.

Subsequent to the report from the local government review panel and local government Acts taskforce, the NSW Government response is outlined in its "fit for the future" blueprint. This will require councils to assess their current financial position and submit a fit for the future proposal by 30 June 2015. Presently there has been no guidelines issued on the form of the response but indicators are they will use the above reports (TCorp and OLG infrastructure management report) along with the local government review panel recommendations.

Should councils be deemed "unfit" then the NSW Government will strongly encourage councils to consider the following options:

- Seek voluntary merger with other councils in order to meet a sustainable "threshold";
- Develop regional joint organisations with separate governance structures to manage critical elements for a number of councils (e.g. finance and IT, economic development, engineering, etc.);
- Accepting the offer for cheaper finance to build and maintain facilities; and
- Utilising the innovation fund to help smaller councils explore new ways to working with other councils.

**GENERAL**

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

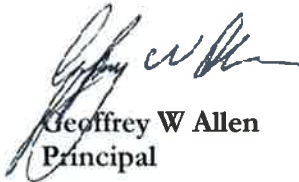
It is pleasing to report that Council's systems and records have been well maintained during the year and the audited financial statements will be submitted to the Division of Local Government within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

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

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

Yours faithfully

**FORSYTHS BUSINESS SERVICES PTY LTD**



Geoffrey W Allen  
Principal

# Nambucca Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2014

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“Nambucca Valley ~ Living at its best”



# Nambucca Shire Council

## Special Schedules

for the financial year ended 30 June 2014

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

### 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 (NOW), and
  - the Office of Local Government (OLG).
- (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 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>632</b>	-	<b>9</b>	<b>(623)</b>
<b>Administration</b>	<b>401</b>	<b>254</b>	-	<b>(147)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	835	291	-	<b>(544)</b>
Beach Control	146	16	4	<b>(126)</b>
Animal Control	219	26	-	<b>(193)</b>
<b>Total Public Order &amp; Safety</b>	<b>1,200</b>	<b>333</b>	<b>4</b>	<b>(863)</b>
<b>Health</b>	<b>221</b>	<b>158</b>	-	<b>(63)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	391	213	-	<b>(178)</b>
Other Environmental Protection	542	458	-	<b>(84)</b>
Solid Waste Management	4,106	4,753	156	<b>803</b>
Street Cleaning	285	-	-	<b>(285)</b>
Drainage	-	140	-	<b>140</b>
<b>Total Environment</b>	<b>5,324</b>	<b>5,564</b>	<b>156</b>	<b>396</b>
<b>Community Services and Education</b>				
Social Protection (Welfare)	501	272	-	<b>(229)</b>
Aged Persons and Disabled	38	17	-	<b>(21)</b>
Children's Services	88	113	-	<b>25</b>
<b>Total Community Services &amp; Education</b>	<b>627</b>	<b>402</b>	-	<b>(225)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	74	86	-	<b>12</b>
Public Conveniences	278	-	-	<b>(278)</b>
Street Lighting	271	19	-	<b>(252)</b>
Town Planning	799	-	-	<b>(799)</b>
<b>Total Housing and Community Amenities</b>	<b>1,422</b>	<b>105</b>	-	<b>(1,317)</b>
<b>Water Supplies</b>	<b>4,398</b>	<b>4,936</b>	<b>8,412</b>	<b>8,950</b>
<b>Sewerage Services</b>	<b>4,905</b>	<b>4,514</b>	<b>191</b>	<b>(200)</b>



## Nambucca Shire Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	632	75	-	(557)
Museums	129	5	-	(124)
Community Centres and Halls	340	2	-	(338)
Other Cultural Services	147	-	-	(147)
Swimming Pools	489	2	-	(487)
Parks & Gardens (Lakes)	1,178	-	-	(1,178)
Other Sport and Recreation	272	276	155	159
<b>Total Recreation and Culture</b>	<b>3,187</b>	<b>360</b>	<b>155</b>	<b>(2,672)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	312	140	-	(172)
<b>Total Mining, Manufacturing and Const.</b>	<b>312</b>	<b>140</b>	-	<b>(172)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	3,741	-	-	(3,741)
Urban Roads - Regional	-	403	99	502
Sealed Rural Roads (SRR) - Local	3,671	860	219	(2,592)
Sealed Rural Roads (SRR) - Regional	75	850	57	832
Unsealed Rural Roads (URR) - Local	1,242	285	-	(957)
Unsealed Rural Roads (URR) - Regional	1,390	-	-	(1,390)
Bridges on UR - Local	1,416	-	-	(1,416)
Bridges on SRR - Local	-	68	13	81
Parking Areas	38	20	-	(18)
Footpaths	132	-	567	435
Other Transport & Communication	619	14	-	(605)
<b>Total Transport and Communication</b>	<b>12,324</b>	<b>2,500</b>	<b>955</b>	<b>(8,869)</b>
<b>Economic Affairs</b>				
Other Economic Affairs	527	75	-	(452)
<b>Total Economic Affairs</b>	<b>527</b>	<b>75</b>	-	<b>(452)</b>
<b>Totals – Functions</b>	<b>35,480</b>	<b>19,341</b>	<b>9,882</b>	<b>(6,257)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>12,063</b>		<b>12,063</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>35,480</b>	<b>31,404</b>	<b>9,882</b>	<b>5,806</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

## Nambucca Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)  
for the financial year ended 30 June 2014

Classification of Debt	Principal outstanding at beginning of the year		New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year	
	Current	Non Current		Total	From Revenue			Sinking Funds	Current
<b>Loans (by Source)</b>									
Financial Institutions	1,082	29,598	11,455	1,218			2,467	1,317	39,600
Other	1,300	7,691		1,300			4	1,294	6,397
<b>Total Loans</b>	<b>2,382</b>	<b>37,289</b>	<b>11,455</b>	<b>2,518</b>	-	-	<b>2,471</b>	<b>2,611</b>	<b>45,997</b>
<b>Total Debt</b>	<b>2,382</b>	<b>37,289</b>	<b>11,455</b>	<b>2,518</b>	-	-	<b>2,471</b>	<b>2,611</b>	<b>48,608</b>

\$'000

Notes: Excludes (i) Internal Loans &amp; (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the face value of debt obligations, rather than fair value (which are reported in the GPFS).

## Nambucca Shire Council

### Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2014

\$'000

#### Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
Bridges	615	25	455
<b>Totals</b>	<b>615</b>	<b>25</b>	<b>455</b>

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

#### Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Bridges	Sewer	30/06/06	30/06/06	20	30/06/26	6.50%	615	25	455
<b>Totals</b>							<b>615</b>	<b>25</b>	<b>455</b>

## Nambucca Shire Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	402	379
b. Engineering and Supervision	316	259
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	328	272
<b>- Reservoirs</b>		
e. Operation expenses	-	-
f. Maintenance expenses	97	71
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	281	262
i. Maintenance expenses	86	56
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	85	97
<b>- Other</b>		
m. Operation expenses	446	436
n. Maintenance expenses	32	40
o. Purchase of water	-	-
<b>3. Depreciation expenses</b>		
a. System assets	988	950
b. Plant and equipment	35	14
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,324	396
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	18	18
<b>5. Total expenses</b>	<b>4,438</b>	<b>3,250</b>

## Nambucca Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	655	594
b. Usage charges	2,432	2,075
<b>7. Non-residential charges</b>		
a. Access (including rates)	94	86
b. Usage charges	1,091	1,052
<b>8. Extra charges</b>	12	12
<b>9. Interest income</b>	621	741
<b>10. Other income</b>	249	229
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	8,158	15,423
b. Grants for pensioner rebates	87	86
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	140	57
b. Developer provided assets	2	-
c. Other contributions	113	11
<b>13. Total income</b>	<b>13,654</b>	<b>20,366</b>
<b>14. Gain (or loss) on disposal of assets</b>	(9)	(32)
<b>15. Operating Result</b>	<b>9,207</b>	<b>17,084</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	1,049	1,661

## 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 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	23,021	14,249
c. Renewals	287	479
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	256	76
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>23,564</b>	<b>14,804</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	-	-
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	5,456	5,430
b. Residential (unoccupied, ie. vacant lot)	612	643
c. Non-residential (occupied)	466	462
d. Non-residential (unoccupied, ie. vacant lot)	144	114
<b>25. Number of ETs for which developer charges were received</b>	16 ET	9 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 151,025	\$ 149,615

## Nambucca Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies  
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a. If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

## Nambucca Shire Council

## Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis,  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	3,606	-	3,606
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	8,983	-	8,983
e. Sinking fund	-	-	-
f. Other	8,502	-	8,502
<b>31. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	1,329	-	1,329
c. User Charges	43	-	43
d. Other	1,827	-	1,827
<b>32. Inventories</b>	42	-	42
<b>33. Property, plant and equipment</b>			
a. System assets	-	82,407	82,407
b. Plant and equipment	-	198	198
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<b>24,332</b>	<b>82,605</b>	<b>106,937</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	123	-	123
<b>38. Borrowings</b>			
a. Loans	314	23,982	24,296
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<b>437</b>	<b>23,982</b>	<b>24,419</b>
<b>41. NET ASSETS COMMITTED</b>	<b>23,895</b>	<b>58,623</b>	<b>82,518</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			58,156
<b>43. Asset revaluation reserve</b>			24,362
<b>44. TOTAL EQUITY</b>			<b>82,518</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			113,691
<b>46. Accumulated current cost</b> depreciation of system assets			(31,086)
<b>47. Written down current cost</b> of system assets			<b>82,605</b>



## Nambucca Shire Council

## Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis,  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	588	712
b. Engineering and Supervision	286	294
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	-
b. Maintenance expenses	129	247
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	141	176
e. Maintenance expenses	249	240
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	210	110
i. Effluent Management	6	14
j. Biosolids Management	53	24
k. Maintenance expenses	536	575
<b>- Other</b>		
l. Operation expenses	222	242
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	1,788	1,726
b. Plant and equipment	41	36
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	697	768
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	16
<b>5. Total expenses</b>	<b>4,946</b>	<b>5,180</b>

## Nambucca Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,007	2,203
<b>7. Non-residential charges</b>		
a. Access (including rates)	331	313
b. Usage charges	742	714
<b>8. Trade Waste Charges</b>		
a. Annual Fees	22	21
b. Usage charges	71	72
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	358	506
<b>11. Other income</b>	112	98
<b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	15
b. Grants for pensioner rebates	75	74
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	91	42
b. Developer provided assets	96	-
c. Other contributions	5	1
<b>14. Total income</b>	<u>4,910</u>	<u>4,059</u>
<b>15. Gain (or loss) on disposal of assets</b>	-	2
<b>16. Operating Result</b>	<u>(36)</u>	<u>(1,119)</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	(36)	(1,134)

## 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 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	634	208
c. Renewals	238	1,239
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	1,582	1,562
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<u>2,454</u>	<u>3,009</u>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<u>-</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	5,091	5,062
b. Residential (unoccupied, ie. vacant lot)	323	319
c. Non-residential (occupied)	517	530
d. Non-residential (unoccupied, ie. vacant lot)	76	68
<b>26. Number of ETs for which developer charges were received</b>	16 ET	8 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 135,708	\$ 135,004

## Nambucca Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" 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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	1,907	-	1,907
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	5,008	-	5,008
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	447	-	447
c. User Charges	-	-	-
d. Other	26	429	455
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	75,511	75,511
b. Plant and equipment	-	143	143
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<u>7,388</u>	<u>76,083</u>	<u>83,471</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	62	-	62
<b>39. Borrowings</b>			
a. Loans	1,602	8,733	10,335
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<u>1,664</u>	<u>8,733</u>	<u>10,397</u>
<b>42. NET ASSETS COMMITTED</b>	<u>5,724</u>	<u>67,350</u>	<u>73,074</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			52,244
<b>44. Asset revaluation reserve</b>			20,830
<b>45. TOTAL EQUITY</b>			<u>73,074</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			108,203
<b>47. Accumulated current cost</b> depreciation of system assets			(32,548)
<b>48. Written down current cost</b> of system assets			<u>75,655</u>

## Nambucca Shire Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment Losses** (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

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

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

#### Notes:

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

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Nambucca Shire Council

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

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Actual <sup>(3)</sup> Maintenance 2013/14	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>					
						1	2	3	4	5	
<b>Buildings</b>	Council Offices / Administration Centres	390	19	19	1,628		90%		10%	0%	
	Council Works Depot	180	10	10	714	25%		50%	25%	0%	
	Council Public Halls		43	43	4,846		100%			0%	
	Libraries		63	63	1,092		100%			0%	
	Cultural Facilities	27	5	5	1,098				100%	0%	
	Other Buildings	60	46	46	2,712			70%	30%	0%	
	Other - Bush Fire/SES Bldgs		18	18	1,946		40%	60%		0%	
	Other - Swimming Pool Bldgs		20	20	1,729	30%		40%		0%	
	Other - Child Care Centres	500	10	10	727		60%	40%		0%	
	Other		40	40	3,717			10%	90%	0%	
	<b>sub total</b>		<b>1,157</b>	<b>274</b>	<b>274</b>	<b>20,209</b>	<b>3.4%</b>	<b>21.2%</b>	<b>47.6%</b>	<b>27.7%</b>	<b>0.0%</b>
	<b>Other Structures</b>	Other Structures	-	50	50	4,383		100%			0%
		<b>sub total</b>		<b>50</b>	<b>50</b>	<b>4,383</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed Roads Surface	1,004	575	575	9,629	31%	31%	31%	6%	1%	
	Sealed Roads Structure	5,021	1,257	1,257	42,805	28%	18%	24%	19%	11%	
	Unsealed Roads	56	889	889	7,681	70%	20%	7%		3%	
	Bridges	5,992	307	307	25,765	13%	36%	42%	9%	0%	
	Footpaths		27	27	2,682	13%	80%	7%		0%	
	Kerb and Gutter		48	48	3,620		31%	69%		0%	
	Other (enter details...)		102	102	937			100%		0%	
<b>sub total</b>		<b>12,073</b>	<b>3,205</b>	<b>3,205</b>	<b>93,119</b>	<b>25.8%</b>	<b>26.6%</b>	<b>30.3%</b>	<b>11.8%</b>	<b>5.4%</b>	

Nambucca Shire Council

Special Schedule No. 7 - Condition of Public Works (continued)  
as at 30 June 2014

Special Schedules 2014

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Actual <sup>(3)</sup> Maintenance 2013/14	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4) (5)</sup>									
						1	2	3	4	5					
<b>Water Supply Network</b>	Dams/Weirs														
	Mains	10,326	250	327	30,282			100%							0%
	Reservoirs	2,072	100	95	5,767			100%							0%
	Pumping Station/s	681	70	24	1,364			50%		50%					0%
	Treatment	823	120	-	755			100%							0%
	Other - Headworks/Bores	138	70	62	111			100%							0%
	<b>sub total</b>		<b>14,040</b>	<b>610</b>	<b>508</b>	<b>38,279</b>	<b>0.0%</b>	<b>0.0%</b>	<b>98.2%</b>	<b>1.8%</b>					<b>0.0%</b>
<b>Sewerage Network</b>	Mains	9,376	230	129	36,684			100%							0%
	Pumping Station/s	5,005	250	222	14,162			100%							0%
	Treatment	9,762	700	528	16,037					100%					0%
	Other - Pipelines	1,597	40	-	5,486			100%							0%
	Other -Effluent Pumping Station	22	10	6	28			100%							0%
	<b>sub total</b>		<b>25,762</b>	<b>1,230</b>	<b>885</b>	<b>72,397</b>	<b>0.0%</b>	<b>0.0%</b>	<b>77.8%</b>	<b>22.2%</b>					<b>0.0%</b>



Nambucca Shire Council

Special Schedule No. 7 - Condition of Public Works (continued)  
as at 30 June 2014

Asset Class		Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4)</sup> <sup>(5)</sup>								
							1	2	3	4	5				
<b>Stormwater Drainage</b>	Retarding Basins														
	Outfalls			2	6,273										0%
	Stormwater Conduits		4	8	1,137			100%							0%
	Inlet and Junction Pits		10	102	1,306			100%							0%
	Other - Culverts		116	112	8,716			0.0%	0.0%	100.0%	0.0%				0.0%
	<b>sub total</b>														
<b>Open Space/ Recreational Assets</b>	Swimming Pools		45	45	1,362			100%							0%
	Other - Open Space		748	748	1,932			10%	50%	40%					0%
	Other (enter details )		793	793	3,294			5.9%	29.3%	64.8%	0.0%				0.0%
	<b>sub total</b>														
<b>Other Infrastructure Assets</b>	Other (enter details )														
	Other (enter details )														
	Other (enter details )				2,571					100%					0%
	<b>Other sub total</b>				2,571			0.0%	0.0%	100.0%	0.0%				0.0%
<b>TOTAL - ALL ASSETS</b>			<b>53,032</b>	<b>6,278</b>	<b>5,827</b>	<b>242,968</b>	<b>10.3%</b>	<b>14.2%</b>	<b>59.8%</b>	<b>13.7%</b>	<b>2.1%</b>				

Notes:

- Satisfactory is defined as 'satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate'. The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. This estimated cost should not include any planned enhancements (ie to heighten, intensify or improve the facilities)
- Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard"
- Actual Maintenance is what has been spent in the current year to maintain the assets. Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs
- Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements

(5). Infrastructure Asset Condition Assessment "Key"

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

## Nambucca Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	<u>4,635</u>	<b>50.51%</b>	67.03%	91.88%
Depreciation, Amortisation & Impairment	<u>9,177</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>53,032</u>	<b>0.22</b>	0.31	0.29
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>243,667</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>5,827</u>	<b>0.93</b>	0.69	0.55
Required Asset Maintenance	<u>6,278</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>30,003</u>	<b>2.98</b>	1.59	1.23
Annual Depreciation	<u>10,083</u>			

## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Written down value

## Nambucca Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General <sup>(1)</sup> 2014
<b>Infrastructure Asset Performance Indicators By Fund</b>			
<b>1. Building and Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building and Infrastructure) <sup>(1)</sup></u>	<b>29.54%</b>	<b>13.58%</b>	<b>63.72%</b>
Depreciation, Amortisation & Impairment			
prior period:	51.34%	72.58%	67.83%
<b>2. Infrastructure Backlog Ratio</b>			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	<b>0.37</b>	<b>0.36</b>	<b>0.10</b>
Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	0.37	0.35	-0.29
<b>3. Asset Maintenance Ratio</b>			
<u>Actual Asset Maintenance</u>	<b>0.83</b>	<b>0.72</b>	<b>1.00</b>
Required Asset Maintenance			
prior period:	0.96	0.79	0.84
<b>4. Capital Expenditure Ratio</b>			
<u>Annual Capital Expenditure</u>	<b>22.78</b>	<b>0.48</b>	<b>0.81</b>
Annual Depreciation			
prior period:	15.28	0.82	-2.20

## Notes

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

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

(3) Written down value

## Nambucca Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

	Actual <sup>(1)</sup> Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	Forecast <sup>(2)</sup>	
\$'000	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Forecast <sup>(2)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	41,286	38,658	34,763	34,492	38,551	35,377	35,710	35,763	35,816	35,245	35,298
Expenses from continuing operations	35,480	40,435	35,994	36,546	36,842	36,839	36,922	36,980	37,028	36,964	36,877
<b>Operating Result from Continuing Operations</b>	<b>5,806</b>	<b>(1,777)</b>	<b>(1,231)</b>	<b>(2,054)</b>	<b>1,709</b>	<b>(1,462)</b>	<b>(1,212)</b>	<b>(1,217)</b>	<b>(1,212)</b>	<b>(1,719)</b>	<b>(1,579)</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	25,126	4,452	842	19,211	5,796	6,134	3,693	6,640	695	695	695
Replacement/Refurbishment of Existing Assets	5,073	6,775	9,432	7,863	7,146	6,150	5,846	7,017	5,922	6,639	4,440
<b>Total Capital Budget</b>	<b>30,199</b>	<b>11,227</b>	<b>10,274</b>	<b>27,074</b>	<b>12,942</b>	<b>12,284</b>	<b>9,539</b>	<b>13,657</b>	<b>6,617</b>	<b>7,334</b>	<b>5,135</b>
<b>Funded by:</b>											
- Loans	15,298	3,500	2,500	20,500	6,500	7,071	2,500	3,500	500	500	500
- Reserves	1,739	3,384	2,509	1,046	1,679	905	905	905	905	700	465
- Grants/Contributions	11,778	1,962	1,992	1,867	1,867	1,866	1,867	1,867	1,867	1,866	1,867
- Recurrent revenue	1,384	2,381	3,273	3,661	2,896	2,442	4,267	7,385	3,345	4,268	2,803
- Other											
	<b>30,199</b>	<b>11,227</b>	<b>10,274</b>	<b>27,074</b>	<b>12,942</b>	<b>12,284</b>	<b>9,539</b>	<b>13,657</b>	<b>6,617</b>	<b>7,334</b>	<b>5,135</b>

## Notes:

- (1) From 13/14 Income Statement.
- (2) New Capital Works are major non-recurrent projects, including off river water storage dam, bridges, amenities building, landslips
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Nambucca Shire Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	8,735	9,091
Plus or minus Adjustments <sup>(2)</sup>	b	(6)	14
<b>Notional General Income</b>	c	<b>8,729</b>	<b>9,105</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	3.80%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	
plus Special variation amount	$h = c \times d$	-	346
or plus Rate peg amount	$i = c \times e$	297	-
or plus Crown land adjustment and rate peg amount	$j = c \times f$	-	-
<b>sub-total</b>	$k = (c+g+h+i+j)$	<b>9,026</b>	<b>9,451</b>
plus (or minus) last year's Carry Forward Total	l	79	19
less Valuation Objections claimed in the previous year	m	(1)	(6)
<b>sub-total</b>	$n = (l + m)$	<b>78</b>	<b>13</b>
<b>Total Permissible income</b>	$o = k + n$	<b>9,104</b>	<b>9,464</b>
less Notional General Income Yield	p	9,091	9,436
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>13</b>	<b>28</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	6	4
less Unused catch-up <sup>(5)</sup>	s	-	(19)
<b>Carry forward to next year</b>	$t = q + r - s$	<b>19</b>	<b>13</b>

**Notes**

- 1 The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- 2 Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- 3 The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 4 Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- 5 Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

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ABN 66 182 781 401

## **NAMBUCCA SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9**

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

### **Responsibility of Council for Special Schedule No. 9**

The Council is responsible for preparation and fair presentation of Special No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 9 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities**

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 and is free from material misstatement.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

**ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH**

**Nambucca Shire Council**

**INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9**

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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

**Independence**

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

**Audit Opinion**

In our opinion Special Schedule No. 9 of Nambucca Shire Council for the year ending 30 June 2015 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting**

Without modifying our opinion, we advise that the Special Schedule No. 9 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 9 may not be suitable for another purpose

*Forsyths*

***Forsyths Business Services Pty Ltd***



**Geoffrey W Allen**  
Principal

20<sup>th</sup> October 2014  
92 Rusden Street Armidale

# Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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*"Nambucca Valley ~ Living at its best"*





# Nambucca Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

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<b>4. Auditor's Report</b>	

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

## Nambucca Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- 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 25 September 2014.**



Rhonda Hoban  
MAYOR



John Ainsworth  
COUNCILLOR



Michael Coulter  
GENERAL MANAGER



Craig Doolan  
RESPONSIBLE ACCOUNTING OFFICER

## Nambucca Shire Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	749	680
User charges	3,523	3,127
Interest	633	753
Grants and contributions provided for non capital purposes	87	86
Other income	249	229
<b>Total income from continuing operations</b>	<b>5,241</b>	<b>4,875</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,141	1,094
Borrowing costs	1,324	396
Materials and contracts	932	777
Depreciation and impairment	1,023	964
Loss on sale of assets	9	32
Calculated taxation equivalents	18	18
Debt guarantee fee (if applicable)	372	291
<b>Total expenses from continuing operations</b>	<b>4,819</b>	<b>3,572</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>422</b>	<b>1,303</b>
Grants and contributions provided for capital purposes	8,413	15,490
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>8,835</b>	<b>16,793</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>8,835</b>	<b>16,793</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(127)	(391)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>8,708</b>	<b>16,402</b>
plus Opening Retained Profits	48,935	31,790
plus/less: Prior Period Adjustments		14
plus/less: Other Adjustments (T'fer to Ret.Earnings-Asset Disposals/Sales)	14	47
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	18	18
- Debt guarantee fees	372	291
- Corporate taxation equivalent	127	391
less:		
- Tax Equivalent Dividend paid	(18)	(18)
- Surplus dividend paid		-
<b>Closing Retained Profits</b>	<b>58,156</b>	<b>48,935</b>
<b>Return on Capital %</b>	<b>2.1%</b>	<b>2.9%</b>
<b>Subsidy from Council</b>	<b>1,195</b>	<b>537</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	8,708	16,402
less: Capital grants and contributions (excluding developer contributions)	(8,273)	(15,434)
<b>Surplus for dividend calculation purposes</b>	<b>435</b>	<b>968</b>
<b>Potential Dividend calculated from surplus</b>	<b>218</b>	<b>484</b>

## Nambucca Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	3,431	2,609
User charges	742	714
Interest	358	506
Grants and contributions provided for non capital purposes	75	74
Profit from the sale of assets	-	2
Other income	112	98
<b>Total income from continuing operations</b>	<b>4,718</b>	<b>4,003</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,343	1,500
Borrowing costs	283	305
Materials and contracts	1,491	1,596
Depreciation and impairment	1,829	1,762
Calculated taxation equivalents	-	16
Debt guarantee fee (if applicable)	178	264
<b>Total expenses from continuing operations</b>	<b>5,124</b>	<b>5,443</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(406)</b>	<b>(1,440)</b>
Grants and contributions provided for capital purposes	192	58
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(214)</b>	<b>(1,382)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(214)</b>	<b>(1,382)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(214)</b>	<b>(1,382)</b>
plus Opening Retained Profits	52,280	52,740
plus/less: Prior Period Adjustments		658
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	16
- Debt guarantee fees	178	264
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid		(16)
- Surplus dividend paid		-
<b>Closing Retained Profits</b>	<b>52,244</b>	<b>52,280</b>
<b>Return on Capital %</b>	<b>-0.2%</b>	<b>-1.5%</b>
<b>Subsidy from Council</b>	<b>2,816</b>	<b>3,950</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(214)	(1,382)
less: Capital grants and contributions (excluding developer contributions)	(101)	(16)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Nambucca Shire Council

## Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	21,091	26,285
Investments	-	-
Receivables	3,199	1,292
Inventories	42	45
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>24,332</b>	<b>27,622</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	82,605	59,322
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>82,605</b>	<b>59,322</b>
<b>TOTAL ASSETS</b>	<b>106,937</b>	<b>86,944</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	123	93
Interest bearing liabilities	314	194
Provisions	-	-
<b>Total Current Liabilities</b>	<b>437</b>	<b>287</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	23,982	14,358
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>23,982</b>	<b>14,358</b>
<b>TOTAL LIABILITIES</b>	<b>24,419</b>	<b>14,645</b>
<b>NET ASSETS</b>	<b>82,518</b>	<b>72,299</b>
<b>EQUITY</b>		
Retained earnings	58,156	48,935
Revaluation reserves	24,362	23,364
Council equity interest	82,518	72,299
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>82,518</b>	<b>72,299</b>

## Nambucca Shire Council

## Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,915	7,167
Investments	-	-
Receivables	473	426
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>7,388</b>	<b>7,593</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	429	455
Inventories	-	-
Infrastructure, property, plant and equipment	75,654	74,672
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>76,083</b>	<b>75,127</b>
<b>TOTAL ASSETS</b>	<b>83,471</b>	<b>82,720</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	62	64
Interest bearing liabilities	1,602	1,582
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1,664</b>	<b>1,646</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	8,733	9,921
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>8,733</b>	<b>9,921</b>
<b>TOTAL LIABILITIES</b>	<b>10,397</b>	<b>11,567</b>
<b>NET ASSETS</b>	<b>73,074</b>	<b>71,153</b>
<b>EQUITY</b>		
Retained earnings	52,244	52,280
Revaluation reserves	20,830	18,873
Council equity interest	73,074	71,153
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>73,074</b>	<b>71,153</b>

# Nambucca Shire Council

## Special Purpose Financial Statements for the financial year ended 30 June 2014

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	7-9
2	Water Supply Business Best Practice Management disclosure requirements	10-11
3	Sewerage Business Best Practice Management disclosure requirements	12-14

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, 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 Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

##### b. Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

##### Category 2

(where gross operating turnover is less than \$2 million)

Nil

#### Monetary Amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

#### (i) Taxation Equivalent Charges

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



## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

##### **Notional Rate Applied %**

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

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

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

##### **Income Tax**

An income tax equivalent has been applied on the profits of each reported Business Activity.

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 General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

##### **Local Government Rates & Charges**

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

##### **Loan & Debt Guarantee Fees**

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

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

##### **(ii) Subsidies**

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

## Nambucca Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

#### (iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

In accordance with the guidelines for Best Practice Management 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 the payment.

## Nambucca Shire Council

## Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

## Note 2. Water Supply Business

## Best Practice Management disclosure requirements

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

2014

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	390,000
(ii)	No of assessments multiplied by \$3/assessment	20,034
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	20,034
(iv)	Amounts actually paid for Tax Equivalents	17,738

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	217,700
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	180,306
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,174,200

2014 Surplus	435,400	2013 Surplus	968,100	2012 Surplus	770,700
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	180,306
(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 2014Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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

2014

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,875
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	78.78%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	82,605
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	2,073
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	23,308
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.15%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	8,158

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirementsDollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated)

2014

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	178,000
(ii)	No of assessments multiplied by \$3/assessment	18,021
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	18,021
(iv)	Amounts actually paid for Tax Equivalents	-

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	162,189
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(2,181,000)

2014 Surplus	(315,000)	2013 Surplus	(1,398,000)	2012 Surplus	(468,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2014**


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,552
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	75,655
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,420
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	872
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.40%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	9,418
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.72%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	24,180
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.31%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Nambucca Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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

2014

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	4.26%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		2
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	995
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	162

Notes: 1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.

2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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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 30<sup>th</sup> June 2014 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

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

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation



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

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

## **INDEPENDENCE**

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

## **AUDIT OPINION**

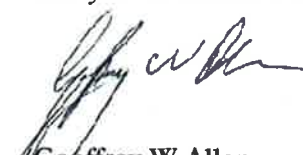
In our opinion, the Special Purpose Financial Statements of the Nambucca Shire Council for the year ended 30<sup>th</sup> June 2014 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## **BASIS OF ACCOUNTING**

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

*Forsyth's*

***Forsyth's Business Services Pty Ltd***



**Geoffrey W Allen**  
Principal

20<sup>th</sup> October 2014  
92 Rusden Street Armidale