

Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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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 26 September 2013. 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 2013

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 26 September 2013.



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 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
15,861	Rates & Annual Charges	3a	15,547	14,500
5,348	User Charges & Fees	3b	4,880	4,497
1,107	Interest & Investment Revenue	3c	2,381	1,895
403	Other Revenues	3d	509	490
5,155	Grants & Contributions provided for Operating Purposes	3e,f	9,114	8,885
18,304	Grants & Contributions provided for Capital Purposes	3e,f	16,290	4,267
Other Income:				
42	Net gains from the disposal of assets	5	-	-
46,220	Total Income from Continuing Operations		48,721	34,534
Expenses from Continuing Operations				
9,366	Employee Benefits & On-Costs	4a	9,692	8,612
2,381	Borrowing Costs	4b	1,848	1,711
7,942	Materials & Contracts	4c	11,214	10,212
9,089	Depreciation & Amortisation	4d	10,074	9,234
3,209	Other Expenses	4e	3,228	3,140
	Net Losses from the Disposal of Assets	5	6,272	28
31,987	Total Expenses from Continuing Operations		42,328	32,937
14,233	Operating Result from Continuing Operations		6,393	1,597
14,233	Net Operating Result for the Year		6,393	1,597
14,233	Net Operating Result attributable to Council		6,393	1,597
(4,071)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(9,897)	(2,670)

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

Nambucca Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		6,393	1,597
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	26	(12,506)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(10)	-
Other Movements in reserves (enter details here)	20b (ii)	(3,355)	(29)
Total Items which will not be reclassified subsequently to the Operating Result		(3,339)	(12,535)
Total Other Comprehensive Income for the year		(3,339)	(12,535)
Total Comprehensive Income for the Year		3,054	(10,938)
Total Comprehensive Income attributable to Council		3,054	(10,938)

Nambucca Shire Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	15,217	9,865
Investments	6b	30,618	22,379
Receivables	7	6,282	5,790
Inventories	8	995	783
Other	8	75	429
Total Current Assets		53,187	39,246
Non-Current Assets			
Inventories	8	21	21
Infrastructure, Property, Plant & Equipment	9	311,476	301,980
Total Non-Current Assets		311,497	302,001
TOTAL ASSETS		364,684	341,247
LIABILITIES			
Current Liabilities			
Payables	10	4,383	3,090
Borrowings	10	2,382	2,061
Provisions	10	3,686	3,699
Total Current Liabilities		10,451	8,850
Non-Current Liabilities			
Payables	10	581	655
Borrowings	10	35,589	23,633
Provisions	10	495	815
Total Non-Current Liabilities		36,665	25,103
TOTAL LIABILITIES		47,116	33,953
Net Assets		317,568	307,294
EQUITY			
Retained Earnings	20	234,510	220,897
Revaluation Reserves	20	83,058	86,397
Council Equity Interest		317,568	307,294
Total Equity		317,568	307,294

Nambucca Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes				Non-	Total Equity
		Retained Earnings	Reserves (Refer 20b)	Council Interest	controlling Interest	
2013						
Opening Balance (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)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		224,762	86,397	311,159	-	311,159
c. Net Operating Result for the Year		6,393		6,393	-	6,393
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)		26	26		26
- Impairment (loss) reversal relating to I,PP&E	20b (ii)		(10)	(10)		(10)
Other Comprehensive Income		-	16	16	-	16
Total Comprehensive Income (c&d)		6,393	16	6,409	-	6,409
e. Distributions to/(Contributions from) Non-controlling Interests					-	-
f. Transfers between Equity		3,355	(3,355)			
Equity - Balance at end of the reporting period		234,510	83,058	317,568	-	317,568

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

Nambucca Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
15,861	Rates & Annual Charges		15,643	14,482
5,348	User Charges & Fees		4,376	4,338
1,107	Investment & Interest Revenue Received		1,890	1,711
23,459	Grants & Contributions		25,667	11,001
	Bonds, Deposits & Retention amounts received		45	52
403	Other		3,250	1,410
Payments:				
(9,006)	Employee Benefits & On-Costs		(9,719)	(8,289)
(7,942)	Materials & Contracts		(9,983)	(9,364)
(2,381)	Borrowing Costs		(1,323)	(1,166)
(3,209)	Other		(6,852)	(5,003)
<u>23,640</u>	Net Cash provided (or used in) Operating Activities	11b	<u>22,994</u>	<u>9,172</u>
Cash Flows from Investing Activities				
Receipts:				
3,336	Sale of Investment Securities		-	15,624
	Sale of Real Estate Assets		197	55
149	Sale of Infrastructure, Property, Plant & Equipment		147	38
Payments:				
	Purchase of Investment Securities		(7,644)	(13,922)
(33,951)	Purchase of Infrastructure, Property, Plant & Equipment		(22,155)	(9,917)
	Purchase of Real Estate Assets		(1)	-
<u>(30,466)</u>	Net Cash provided (or used in) Investing Activities		<u>(29,456)</u>	<u>(8,122)</u>
Cash Flows from Financing Activities				
Receipts:				
8,935	Proceeds from Borrowings & Advances		13,935	925
Payments:				
(2,172)	Repayment of Borrowings & Advances		(2,121)	(1,984)
<u>6,763</u>	Net Cash Flow provided (used in) Financing Activities		<u>11,814</u>	<u>(1,059)</u>
(63)	Net Increase/(Decrease) in Cash & Cash Equivalents		5,352	(9)
33,771	plus: Cash & Cash Equivalents - beginning of year	11a	9,865	9,874
<u>33,708</u>	Cash & Cash Equivalents - end of the year	11a	<u>15,217</u>	<u>9,865</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	30,618	22,379
Total Cash, Cash Equivalents & Investments			<u>45,835</u>	<u>32,244</u>

Please refer to Note 11 for information on the following:

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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 the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

- (i) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the

type of transaction and the specifics of each arrangement.

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

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

(i) The Consolidated Fund

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

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

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

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

(ii) The Trust Fund

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

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(d) Leases

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

Finance Leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash on hand,
- deposits held **at call** with financial institutions,

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

(h) Receivables

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

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

The 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.

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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 Division 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 & 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)

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 & 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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

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

Other Structures

> \$20,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction > \$20,000

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	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	50-60 years
- Buildings : Community	30- 60 years

Stormwater Drainage

- Drains	60 years
- Culverts	60 years

Transportation Assets

- Sealed Roads	35 years
- Unsealed roads	100 years
- Bridges	30 to 80 years
- Footpaths	40 years
- Kerb & Gutter	60 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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- Treatment Works	40 years
- Pump Stations	60 years
- Effluent Pumping Station	60 years

Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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).

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

(q) 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.

(r) 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.

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(t) 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.

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(u) 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.

(v) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

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 2013 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 2013 was \$411,916.

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 \$ 746,210 as at 30 June 2013.

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

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

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

Defined Contribution Plans

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

(iv) 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 30/6/13.

(w) Allocation between current and non-current assets & liabilities

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(x) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

Operating cash flows within the Cash Flow Statement are on a gross basis, 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.

(y) New accounting standards and UIG Interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, 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 (effective from 1 January 2015)

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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 1 January 2013)

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

introduces a single definition of control that applies to all entities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(z) Rounding of amounts

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

(aa) 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.

(ab) 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 2013

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 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Governance		-	-	810	742	481	(810)	(742)	(481)	-	-	-	-
Administration	44	282	301	1,531	385	340	(1,487)	(103)	(39)	10	8	13,962	11,966
Public Order & Safety	359	447	424	590	1,199	1,264	(231)	(752)	(840)	355	335	3,155	3,527
Health	137	121	176	93	330	282	44	(209)	(106)	-	-	62	13
Environment	4,192	5,371	4,767	4,625	5,789	5,142	(433)	(418)	(375)	433	426	13,573	12,025
Community Services & Education	192	427	558	315	629	500	(123)	(202)	58	154	41	1,340	1,287
Housing & Community Amenities	283	68	228	1,646	996	1,001	(1,363)	(928)	(773)	160	443	1,244	2,858
Water Supplies	20,961	20,132	3,666	3,796	3,210	2,902	17,165	16,922	764	15,509	86	86,186	56,752
Sewerage Services	4,427	3,937	4,367	3,197	5,118	4,360	1,230	(1,181)	7	89	1,250	82,049	82,314
Recreation & Culture	242	530	527	2,713	3,513	4,779	(2,471)	(2,983)	(4,252)	199	238	38,045	40,516
Mining, Manufacturing & Construction	47	62	60	461	391	348	(414)	(329)	(288)	-	-	-	-
Transport & Communication	2,666	4,057	5,728	11,958	14,784	11,088	(9,292)	(10,727)	(5,360)	551	555	123,885	124,666
Economic Affairs	105	81	136	252	5,242	450	(147)	(5,161)	(314)	5	20	1,183	5,323
Total Functions & Activities	33,655	35,515	20,938	31,987	42,328	32,937	1,668	(6,813)	(11,999)	17,465	3,402	364,684	341,247
General Purpose Income ¹	12,565	13,206	13,596	-	-	-	12,565	13,206	13,596	3,934	4,941	-	-
Operating Result from Continuing Operations	46,220	48,721	34,534	31,987	42,328	32,937	14,233	6,393	1,597	21,399	8,343	364,684	341,247

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		6,209	5,968
Farmland		760	758
Environmental		336	314
Business		953	916
Total Ordinary Rates		8,258	7,956
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,267	2,922
Water Supply Services		600	481
Sewerage Services		2,500	2,325
Drainage		139	137
Waste Management Services (non-domestic)		783	679
Total Annual Charges		7,289	6,544
TOTAL RATES & ANNUAL CHARGES		15,547	14,500
Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		3,132	2,389
Saleyards		38	80
Sewerage Services		786	970
Waste Management Services (non-domestic)		407	479
Other - Library		5	-
Total User Charges		4,368	3,918
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		59	59
Planning & Building Regulation		145	211
Private Works - Section 67		24	49
Regulatory/ Statutory Fees		163	135
Section 149 Certificates (EPA Act)		40	41
Section 603 Certificates		25	21
Other - Septic Tank Income		7	14
Total Fees & Charges - Statutory/Regulatory		463	530
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Cemeteries		49	49
Total Fees & Charges - Other		49	49
TOTAL USER CHARGES & FEES		4,880	4,497

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		132	128
- Interest earned on Investments (interest & coupon payment income)		1,654	1,583
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		595	184
TOTAL INTEREST & INVESTMENT REVENUE		2,381	1,895
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		132	128
General Council Cash & Investments		1,295	1,036
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		99	84
- Section 64		372	289
Water Fund Operations		531	401
Sewerage Fund Operations		356	277
Domestic Waste Management operations		9	17
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		(413)	(337)
Total Interest & Investment Revenue Recognised		2,381	1,895
(d) Other Revenues			
Fines - Parking		24	8
Fines - Other		6	10
Lease Rentals		236	217
Legal Fees Recovery - Rates & Charges (Extra Charges)		4	2
Administration		9	3
Bank Merchant Service Fees		13	12
Diesel Rebate		38	37
Environmental Services		7	4
Insurance - Premium Rebates		130	159
Road Closure/Compulsory Acquisition		11	18
Sales - General		4	8
Special Meter Reading Fees		6	6
Other - Libraries		9	-
Other - Tourism		5	-
Other		7	6
TOTAL OTHER REVENUE		509	490

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,401	3,111	-	-
Financial Assistance - Local Roads Component	1,065	1,349	-	-
Pensioners' Rates Subsidies - General Component	468	481	-	-
Total General Purpose	3,934	4,941	-	-
Specific Purpose				
Water Supplies	-	-	15,423	-
Sewerage Services	-	-	15	1,175
Bushfire & Emergency Services	355	335	-	-
Community Care	318	457	-	-
Community Centres	41	80	-	-
Employment & Training Programs	135	141	-	-
Environmental Protection	362	313	-	-
Heritage & Cultural	-	9	-	-
Library	146	62	-	-
Museums	-	19	-	-
Noxious Weeds	95	161	-	-
Public Conveniences Disabled Access	-	20	-	-
Public Halls	5	4	-	-
Recreation & Culture	7	7	-	44
Street Lighting	19	19	-	-
Swimming Pools	1	11	-	-
Transport (Roads to Recovery)	531	532	-	-
Transport (Other Roads & Bridges Funding)	-	-	(1)	5
Other	13	8	-	-
Total Specific Purpose	2,028	2,178	15,437	1,224
Total Grants	5,962	7,119	15,437	1,224
Grant Revenue is attributable to:				
- Commonwealth Funding	3,466	4,460	15,438	1,175
- State Funding	2,496	2,659	(1)	49
	5,962	7,119	15,437	1,224

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	157	191
S 64 - Water Supply Contributions	-	-	56	315
S 64 - Sewerage Service Contributions	-	-	42	366
Total Developer Contributions	17	-	255	872
Other Contributions:				
Bushfire Services	1	6	-	51
Heritage/Cultural	-	72	-	-
Recreation & Culture	73	8	6	16
Roads & Bridges	12	-	-	(10)
RMS Contributions (Regional Roads, Block Grant)	3,053	1,664	159	666
Sewerage (excl. Section 64 contributions)	-	-	1	5
Subdivider Dedications	-	-	421	1,429
Water Supplies (excl. Section 64 contributions)	-	-	11	14
Water & Sewer Asset Management	-	14	-	-
Other -Libraries	12	-	-	-
Other	1	2	-	-
Total Other Contributions	3,152	1,766	598	2,171
Total Contributions	3,152	1,766	853	3,043
TOTAL GRANTS & CONTRIBUTIONS	9,114	8,885	16,290	4,267

(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	9,871	9,314
add: Grants & contributions recognised in the current period but not yet spent:	4,819	3,384
less: Grants & contributions recognised in a previous reporting period now spent:	(2,630)	(2,827)
Net Increase (Decrease) in Restricted Assets during the Period	2,189	557
Unexpended and held as Restricted Assets	12,060	9,871
Comprising:		
- Specific Purpose Unexpended Grants	5,151	3,292
- Developer Contributions	6,909	6,579
	12,060	9,871

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,629	6,365
Travelling		702	417
Employee Leave Entitlements (ELE)		1,190	859
Superannuation		899	939
Workers' Compensation Insurance		315	224
Fringe Benefit Tax (FBT)		34	58
Training Costs (other than Salaries & Wages)		90	114
Other		197	92
Total Employee Costs		10,056	9,068
less: Capitalised Costs		(364)	(456)
TOTAL EMPLOYEE COSTS EXPENSED		9,692	8,612
Number of "Equivalent Full Time" Employees at year end		116	118
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		124	125
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,365	1,162
Total Interest Bearing Liability Costs		1,365	1,162
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,365	1,162
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	20	40
Interest applicable on Interest Free (& favourable) Loans to Council		463	509
Total Other Borrowing Costs		483	549
TOTAL BORROWING COSTS EXPENSED		1,848	1,711

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		1,586	3,023
Contractor & Consultancy Costs		4,531	2,191
- Beach Inspections		60	56
- Cleaning of Council Buildings		87	70
- Computer System - "Civica - Autho		50	31
- Equipment Hire		557	1,089
- Estuary Management Plan Consultant		-	33
- Financial		24	44
- Ordinance Officer		107	107
- Sewer Mains - Capital Works		220	249
- Town Planning Consultant		65	35
- Waste Collection Contract		2,751	2,346
- Water Reservoirs - Capital Works		929	623
Auditors Remuneration ⁽¹⁾		37	56
Legal Expenses:			
- Legal Expenses: Planning & Development		37	32
- Legal Expenses: Other		173	227
Total Materials & Contracts		11,214	10,212
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		11,214	10,212
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		26	23
- Other Services: Council's Auditor		9	24
Remuneration for audit and other assurance services		35	47
(ii) Taxation Services			
Remuneration for taxation services		-	-
(iii) Other Services			
- Other Services - Grant Acquitals		2	9
Remuneration for other services		2	9
Total Auditor Remuneration		37	56
2. Operating Lease Payments are attributable to:			
		-	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	692	729
Office Equipment		-	-	138	120
Furniture & Fittings		-	-	16	15
Land Improvements (depreciable)		-	-	18	16
Buildings - Non Specialised		-	-	555	580
Buildings - Specialised		-	-	331	332
Other Structures		-	-	313	296
Infrastructure:					
- Roads, Bridges & Footpaths		6	-	4,971	4,892
- Stormwater Drainage		4	-	403	396
- Water Supply Network		-	-	933	966
- Sewerage Network		-	-	1,707	922
Other Assets					
- Heritage Collections		-	-	5	5
- Other		-	-	1	1
Asset Reinstatement Costs	9 & 26	-	-	42	42
Total Depreciation & Impairment Costs		10	-	10,125	9,312
less: Capitalised Costs		-	-	(51)	(78)
less: Impairments (to)/from ARR [Equity]	9a	(10)	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,074	9,234

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		123	112
Bad & Doubtful Debts		18	3
Bank Charges		45	38
Contributions/Levies to Other Levels of Government		57	58
- Bushfire Fighting Fund		212	269
- Waste Levy		143	204
- Other Contributions/Levies		41	60
Councillor Expenses - Mayoral Fee		22	24
Councillor Expenses - Councillors' Fees		95	94
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		40	35
Donations, Contributions & Assistance to other organisations (Section 356)		157	144
- Library Committee		-	232
- SES Vehicle Expenses		33	28
Electricity & Heating		702	637
Insurance		600	549
Insurance Excess (PI/PL)		22	7
Office Expenses (including computer expenses)		347	192
Postage		37	43
Printing & Stationery		79	65
Street Lighting		257	194
Subscriptions & Publications		56	48
Telephone & Communications		64	51
Valuation Fees		78	53
Total Other Expenses		3,228	3,140
TOTAL OTHER EXPENSES		3,228	3,140

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		7	-
Net Gain/(Loss) on Disposal		7	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		138	38
less: Carrying Amount of P&E Assets Sold / Written Off		(55)	(70)
Net Gain/(Loss) on Disposal		83	(32)
Infrastructure			
Proceeds from Disposal - Infrastructure		2	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(6,506)	(31)
Net Gain/(Loss) on Disposal		(6,504)	(31)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		197	55
less: Carrying Amount of Real Estate Assets Sold / Written Off		(55)	(20)
Net Gain/(Loss) on Disposal		142	35

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		782	-	374	-
Cash-Equivalent Assets ¹					
- Deposits at Call		5,078	-	658	-
- Short Term Deposits		9,357	-	8,833	-
Total Cash & Cash Equivalents		15,217	-	9,865	-
Investments (Note 6b)					
- Managed Funds		4,483	-	4,801	-
- Long Term Deposits		24,475	-	16,133	-
- NCD's, FRN's (with Maturities > 3 months)		514	-	495	-
- Tcorp		1,146	-	950	-
Total Investments		30,618	-	22,379	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		45,835	-	32,244	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

	15,217	-	9,865	-
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Investments

a. "At Fair Value through the Profit & Loss"

- "Designated at Fair Value on Initial Recognition"	6(b-i)	6,143	-	6,246	-
b. "Held to Maturity"	6(b-ii)	24,475	-	16,133	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-

Investments

	30,618	-	22,379	-
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Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	6,246	-	6,405	-
Revaluations (through the Income Statement)	595	-	184	-
Additions	1,002	-	3,890	-
Disposals (sales & redemptions)	(1,700)	-	(4,233)	-
Balance at End of Year	6,143	-	6,246	-
Comprising:				
- Managed Funds	4,483	-	4,801	-
- NCD's, FRN's (with Maturities > 3 months)	514	-	495	-
- Other Long Term Financial Assets	1,146	-	950	-
Total	6,143	-	6,246	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	16,133	-	18,150	-
Additions	17,803	-	10,032	-
Disposals (sales & redemptions)	(9,461)	-	(12,049)	-
Balance at End of Year	24,475	-	16,133	-
Comprising:				
- Long Term Deposits	24,475	-	16,133	-
Total	24,475	-	16,133	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil	-	-	-	-
Balance at End of Year	-	-	-	-
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil	-	-	-	-
Balance at End of Year	-	-	-	-

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	45,835	-	32,244	-
attributable to:				
External Restrictions (refer below)	40,334	-	27,493	-
Internal Restrictions (refer below)	3,803	-	4,030	-
Unrestricted	1,698	-	721	-
	45,835	-	32,244	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	553	2,935	(2,357)	1,131
Specific Purpose Unexpended Loans-Water (A)	761	11,000	(416)	11,345
Specific Purpose Unexpended Loans-Sewer (A)	2,583	-	(2,341)	242
Security Deposits	751	44	-	795
Prepaid Private Works	52	-	-	52
External Restrictions - Included in Liabilities	4,700	13,979	(5,114)	13,565

External Restrictions - Other

Developer Contributions - General (D)	1,361	255	(361)	1,255
Developer Contributions - Water Fund (D)	3,117	280	(11)	3,386
Developer Contributions - Sewer Fund (D)	2,101	191	(24)	2,268
Specific Purpose Unexpended Grants (F)	2,784	-	(78)	2,706
Specific Purpose Unexpended Grants-Water Fund (F)	-	2,445	-	2,445
Water Supplies (G)	8,221	888	-	9,109
Sewerage Services (G)	4,458	199	-	4,657
Domestic Waste Management (G)	751	221	(29)	943
External Restrictions - Other	22,793	4,479	(503)	26,769
Total External Restrictions	27,493	18,458	(5,617)	40,334

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	288	37		325
Employees Leave Entitlement	1,631	325	(189)	1,767
Council Building Reserve	189	-	(5)	184
Election	97	18	(88)	27
Environment Rate Unallocated	429		(175)	254
Land Development	344	2	(98)	248
Lawn Cemetery	8	-	-	8
Office Equipment	170	25	(41)	154
On Site Sewer Management	13	-	-	13
Other Contributions	224	40	(134)	130
Public Road/Reserve Sales	51	-	-	51
Saleyards Upkeep	36	5	-	41
Stormwater Management	153	-	(12)	141
Swimming Pool	38	15	-	53
Waste Management	359	55	(7)	407
Total Internal Restrictions	4,030	522	(749)	3,803
TOTAL RESTRICTIONS	31,523	18,767	(6,825)	43,465

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

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		753	-	847	-
Interest & Extra Charges		79	-	77	-
User Charges & Fees		1,793	-	1,292	-
Accrued Revenues					
- Interest on Investments		507	-	613	-
Government Grants & Subsidies		453	-	1,137	-
Net GST Receivable		608	-	193	-
Other Debtors - General		1,939	-	1,528	-
Other Debtors Flood Damage/RMS		94	-	13	-
Other Debtors - On Site Sewer M'ment		14	-	29	-
Other Debtors		66	-	83	-
Total		6,306	-	5,812	-
less: Provision for Impairment					
Rates & Annual Charges		(23)	-	(21)	-
User Charges & Fees		(1)	-	(1)	-
Total Provision for Impairment - Receivables		(24)	-	(22)	-
TOTAL NET RECEIVABLES		6,282	-	5,790	-
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		1,249	-	958	-
- Other		43	-	185	-
Sewerage Services					
- Rates & Availability Charges		401	-	306	-
- Other		480	-	503	-
Domestic Waste Management		336	-	335	-
Total External Restrictions		2,509	-	2,287	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		3,773	-	3,503	-
TOTAL NET RECEIVABLES		6,282	-	5,790	-

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 10.00% (2012 11.00%).
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 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		157	21	211	21
Stores & Materials		838	-	572	-
Total Inventories		995	21	783	21
Other Assets					
Prepayments		75	-	429	-
Total Other Assets		75	-	429	-
TOTAL INVENTORIES / OTHER ASSETS		1,070	21	1,212	21
Externally Restricted Assets					
Water					
Stores & Materials		45	-	43	-
Total Water		45	-	43	-
Sewerage					
Nil		-	-	-	-
Total Sewerage		-	-	-	-
Domestic Waste Management					
Nil		-	-	-	-
Total Domestic Waste Management		-	-	-	-
Other					
Nil		-	-	-	-
Total Other		-	-	-	-
Total Externally Restricted Assets		45	-	43	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,025	21	1,169	21
TOTAL INVENTORIES & OTHER ASSETS		1,070	21	1,212	21

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets (continued)

\$ '000	2013		2012	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	125	-	179	-
Industrial/Commercial	32	21	32	21
Total Real Estate for Resale	157	21	211	21
(Valued at the lower of cost and net realisable value)				
Represented by:				
Development Costs	157	21	211	21
Total Costs	157	21	211	21
less: Provision for Under Recovery			-	-
Total Real Estate for Resale	157	21	211	21
Movements:				
Real Estate assets at beginning of the year	211	21	211	41
- Purchases and other costs	1	-	20	(20)
- WDV of Sales (exp)	(55)		(20)	-
Total Real Estate for Resale	157	21	211	21

(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;

	2013	2012
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.

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012				Asset Movements during the Reporting Period						as at 30/6/2013					
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	Adjustments & Transfers (ARR)	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	8,809	-	4	8,805	14,872	-	-	-	(1,308)	-	-	22,373	-	4	-	22,369
Plant & Equipment	-	10,455	7,203	3,252	990	(692)	(115)	-	-	-	-	-	10,771	7,336	-	3,435
Office Equipment	-	1,492	889	603	170	(138)	-	-	-	-	-	-	1,626	991	-	635
Furniture & Fittings	-	424	348	76	3	(16)	-	-	-	-	-	-	427	364	-	63
Land:																
- Operational Land	-	9,535	-	9,535	416	(3,513)	-	-	640	(474)	-	-	6,604	-	-	6,604
- Community Land	-	17,212	-	17,212	-	(157)	-	-	(453)	-	-	1,141	16,602	-	-	16,602
- Land under Roads (post 30/6/08)	933	-	-	933	208	-	-	-	-	-	-	-	-	-	-	1,141
Land Improvements - depreciable	-	1,297	399	898	4	(197)	-	-	2	-	-	-	976	287	-	689
Buildings - Non Specialised	-	29,699	16,340	13,359	99	(1,875)	-	-	2,212	(811)	-	-	24,529	12,100	-	12,429
Buildings - Specialised	-	15,943	7,826	8,117	183	(21)	-	-	1,473	(945)	-	-	14,716	6,240	-	8,476
Other Structures	-	16,040	6,311	9,729	304	(620)	-	-	69	(3)	-	-	15,001	5,835	-	9,166
Infrastructure:																
- Roads, Bridges, Footpaths	-	175,135	81,730	93,405	3,278	(24)	-	-	904	(377)	-	-	177,431	85,216	6	92,209
- Bulk Earthworks (non-depreciable)	-	18,181	-	18,181	-	-	-	-	-	-	-	-	18,181	-	-	18,181
- Stormwater Drainage	-	25,701	16,541	9,160	238	(403)	-	-	(4)	-	-	-	25,939	16,944	4	8,991
- Water Supply Network	-	65,034	27,475	37,559	421	(39)	-	-	(933)	916	-	-	67,026	29,102	-	37,924
- Sewerage Network	-	97,473	26,958	70,515	1,384	(1,707)	-	-	(1,707)	1,720	-	-	101,294	29,382	-	71,912
Other Assets:																
- Heritage Collections	-	520	135	385	-	-	-	-	(5)	-	-	-	520	140	-	380
- Other	-	13	7	6	57	-	-	-	(1)	-	-	-	70	8	-	62
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Tip Asset	635	-	385	250	-	(42)	-	-	-	-	-	434	-	226	-	208
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	10,377	484,154	192,551	301,980	22,827	(6,561)	(10,125)	(10)	3,539	(2,610)	2,636	23,948	481,713	194,175	10	311,476

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,070,751) and New Assets (\$15,557,838). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	19,405		4	19,401	5,795	-	4	5,791
Plant & Equipment		422	121	301	-	273	168	105
Office Equipment		19	19	-	-	19	19	-
Furniture & Fittings		2	2	-	-	2	2	-
Land								
- Council Owned (Freehold)		1,530	-	1,530	-	699	-	699
Buildings		300	136	164	-	279	118	161
Other Structures		5	2	3	-	5	1	4
Infrastructure		67,025	29,102	37,923	-	65,033	27,474	37,559
Total Water Supply	19,405	69,303	29,386	59,322	5,795	66,310	27,786	44,319
Sewerage Services								
WIP				-	-	-	-	-
Plant & Equipment		461	228	233	-	523	305	218
Office Equipment		7	7	-	-	7	7	-
Furniture & Fittings		7	7	-	-	7	7	-
Land								
- Council Owned (Freehold)		1,533	-	1,533	-	1,031	-	1,031
- Council Controlled		55	-	55	-	61	-	61
Buildings		1,165	224	941	-	476	186	290
Infrastructure		101,292	29,382	71,910	-	97,473	26,958	70,515
Total Sewerage Services	-	104,520	29,848	74,672	-	99,578	27,463	72,115
TOTAL RESTRICTED I,PP&E	19,405	173,823	59,234	133,994	5,795	165,888	55,249	116,434

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(i) Impairment Losses recognised in the Income Statement include:			
Total Impairment Losses		-	-
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
Total Impairment Reversals		-	-
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	-	-
(iii) Impairment Losses recognised direct to Equity (ARR) include:			
- Bellingen Road-flood damage following severe storms-road collapse		(6)	-
- Culverts-Bellingen Rd-flood damage following severe storms-road collapse		(4)	-
Total Impairment Losses		(10)	-
(iv) Reversals of Impairment Losses previously recognised direct to Equity (ARR) include:			
Total Impairment Reversals		-	-
IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)	20 (ii)	(10)	-

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,825	-	2,328	-
Payments Received In Advance		53	-	56	-
Accrued Expenses:					
- Borrowings		246	-	204	-
- Other Expenditure Accruals		13	-	13	-
Government Departments		8	-	365	-
Security Bonds, Deposits & Retentions		215	581	96	655
Other		23	-	28	-
Total Payables		4,383	581	3,090	655
Borrowings					
Loans - Secured ¹		2,382	35,589	2,061	23,633
Total Borrowings		2,382	35,589	2,061	23,633
Provisions					
Employee Benefits;					
Annual Leave		759	-	721	-
Sick Leave		959	-	932	-
Long Service Leave		1,820	38	1,803	52
Other Leave		148	-	243	-
Sub Total - Aggregate Employee Benefits		3,686	38	3,699	52
Asset Remediation/Restoration (Future Works)	26	-	457	-	763
Total Provisions		3,686	495	3,699	815
Total Payables, Borrowings & Provisions		10,451	36,665	8,850	25,103
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		287	14,358	112	3,574
Sewer		1,646	9,921	1,628	11,040
Liabilities relating to externally restricted assets		1,933	24,279	1,740	14,614
Internally Restricted Assets					
Nil		-	-	-	-
Liabilities relating to internally restricted assets		-	-	-	-
Total Liabilities relating to restricted assets		1,933	24,279	1,740	14,614
Total Liabilities relating to Unrestricted Assets		8,518	12,386	7,110	10,489
TOTAL PAYABLES, BORROWINGS & PROVISIONS		10,451	36,665	8,850	25,103

¹ Loans are secured over the General Rating Income of Council

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,484	2,453
	2,484	2,453

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	721	545	(507)			759
Sick Leave	932	315	(288)			959
Long Service Leave	1,855	184	(181)			1,858
Other Leave	243	-	(95)			148
Asset Remediation	763	-	(306)			457
TOTAL	4,514	1,044	(1,377)	-	-	4,181

- 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 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	15,217	9,865
BALANCE as per the STATEMENT of CASH FLOWS		15,217	9,865
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		6,393	1,597
Adjust for non cash items:			
Depreciation & Amortisation		10,074	9,234
Net Losses/(Gains) on Disposal of Assets		6,272	28
Non Cash Capital Grants and Contributions		(421)	(1,429)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(595)	(184)
- 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)		463	509
Unwinding of Discount Rates on Reinstatement Provisions		20	40
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(494)	(2,137)
Increase/(Decrease) in Provision for Doubtful Debts		2	1
Decrease/(Increase) in Inventories		(266)	141
Decrease/(Increase) in Other Assets		354	(75)
Increase/(Decrease) in Payables		1,497	707
Increase/(Decrease) in accrued Interest Payable		42	(4)
Increase/(Decrease) in other accrued Expenses Payable		-	(71)
Increase/(Decrease) in Other Liabilities		(320)	427
Increase/(Decrease) in Employee Leave Entitlements		(27)	388
Increase/(Decrease) in Other Provisions		(326)	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		22,994	9,172

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Subdivisions		421	1,425
Other Non Cash Items		-	4
Total Non-Cash Investing & Financing Activities		421	1,429
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		3	3
Total Financing Arrangements		3	3
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		3	3
Total Financing Arrangements Utilised		3	3

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Nambucca Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Structures		31,850	40,440
Roads & Bridges		-	1,280
Investment Property			
Total Commitments		31,850	41,720
These expenditures are payable as follows:			
Within the next year		31,850	41,720
Total Payable		31,850	41,720
Sources for Funding of Capital Commitments:			
Future Grants & Contributions		10,505	32,020
Externally Restricted Reserves		11,345	-
Internally Restricted Reserves		-	3,700
New Loans (to be raised)		10,000	6,000
Total Sources of Funding		31,850	41,720

(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 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 2012 2011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	10,299	1.71 : 1	2.02	2.30
Current Liabilities less Specific Purpose Liabilities ^(2,3)	6,034			
2. Debt Service Ratio				
Debt Service Cost	3,553	13.04%	12.23%	13.11%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	27,251			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	15,547	31.91%	41.99%	39.49%
Income from Continuing Operations	48,721			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	809	4.88%	5.81%	6.16%
Rates, Annual & Extra Charges Collectible	16,586			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	6,101	68.55%	91.88%	83.57%
Depreciation, Amortisation & Impairment	8,900			

Notes

Council has used the LG Solutions spreadsheets which has calculated the ratios per the FDR rather than the Code.

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 2012 2011	
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
<u>- Operating Expenses</u>	<u>(10,492)</u>	-32.96%	-9.49%	-14.94%
Operating Revenue (excl. Capital Grants & Contributions)	31,836			
b. Own Source Operating Revenue				
<u>Rates & Annual Charges + User Charges & Fees</u>	<u>20,427</u>	42.44%	55.30%	51.36%
Total Operating Revenue (incl. Capital Grants & Contributions)	48,126			
c. Unrestricted Current Ratio				
<u>Current Assets less all External Restrictions</u>	<u>10,299</u>	1.71	2.02	2.30
Current Liabilities less Specific Purpose Liabilities	6,034			
d. Debt Service Cover Ratio				
<u>Operating Result before Interest & Depreciation (EBITDA)</u>	<u>1,430</u>	0.36	2.19	1.79
Principal Repayments (from the Statement of Cash Flows)	3,969			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
<u>Annual Capital Expenditure</u>	<u>16,066</u>	1.59	1.23	2.12
Annual Depreciation	10,074			
f. Infrastructure Backlog Ratio				
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	<u>82,013</u>	0.31	0.29	0.34
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	264,165			
g. Asset Maintenance Ratio				
<u>Actual Asset Maintenance</u>	<u>5,378</u>	0.69	0.55	0.53
Required Asset Maintenance	7,848			
h. Building & Infrastructure Renewals Ratio				
<u>Asset Renewals</u>	<u>6,101</u>	0.69	0.92	0.84
Depreciation of Building and Infrastructure Assets	8,900			
i. Cash Expense Cover Ratio				
<u>Current Year's Cash & Cash Equivalents</u>	<u>15,217</u>	6.01	5.38	0.50
(Total Expenses - Depreciation - Interest Costs) x12	2,534			
j. Interest Cover Ratio				
<u>Operating Results before Interest & Depreciation (EBITDA)</u>	<u>1,430</u>	0.77	4.73	3.86
Borrowing Interest Costs (from the income statement)	1,848			

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	4.50 : 1	0.26 : 1	2.09 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	17.36 : 1	0.57 : 1	2.25 : 1
2. Debt Service Ratio			
Debt Service Cost	10.15%	48.03%	6.49%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	7.84%	47.04%	5.67%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	2.99%	64.05%	50.32%
Income from Continuing Operations			
prior period:	15.71%	44.40%	45.86%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	6.46%	5.68%	4.64%
Rates, Annual & Extra Charges Collectible			
prior period:	5.87%	12.50%	4.49%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	36.01%	69.60%	73.12%
Depreciation, Amortisation & Impairment			
prior period:	20.91%	199.24%	86.97%

Notes

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
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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 2013

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	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	15,217	9,865	15,188	9,865
Investments				
- "Designated At Fair Value on Initial Recognition"	6,143	6,246	6,143	6,223
- "Held to Maturity"	24,475	16,133	24,475	16,133
Receivables	6,282	5,790	6,282	5,790
Total Financial Assets	52,117	38,034	52,088	38,011
Financial Liabilities				
Payables	4,911	3,689	4,827	3,678
Loans / Advances	37,971	25,694	37,289	26,796
Total Financial Liabilities	42,882	29,383	42,116	30,474

Fair Value is determined as follows:

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

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	24,475			24,475
- "Designated At Fair Value on Initial Recognition"	6,143			6,143
- Other - Cash & Cash Equivalents	15,188			15,188
- Other - Receivables	6,282			6,282
Total Financial Assets	52,088	-	-	52,088
Financial Liabilities				
- Other - Payables	4,827			4,827
- Other - Loans/Advances	37,289			37,289
Total Financial Liabilities	42,116	-	-	42,116
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	16,133	-	-	16,133
- "Designated At Fair Value on Initial Recognition"	6,246	-	-	6,246
- Other - Cash & Cash Equivalents	9,842	-	-	9,842
- Other - Receivables	5,790	-	-	5,790
Total Financial Assets	38,011	-	-	38,011
Financial Liabilities				
- Other - Payables	3,678	-	-	3,678
- Other - Loans/Advances	26,796	-	-	26,796
Total Financial Liabilities	30,474	-	-	30,474

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
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)
2012				
Possible impact of a 10% movement in Market Values	510	510	(510)	(510)
Possible impact of a 1% movement in Interest Rates	319	319	(319)	(319)

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) 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.

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

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

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

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

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	697	3,721	470	4,743
Overdue	56	1,832	377	222
	753	5,553	847	4,965
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			22	21
+ new provisions recognised during the year			2	1
Balance at the end of the year			24	22

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Bank Overdraft	-							-	-
Trade/Other Payables	796	495	581					1,872	4,911
Loans & Advances		2,382	2,384	2,451	2,464	2,530	27,760	39,971	37,971
Total Financial Liabilities	796	2,877	2,965	2,451	2,464	2,530	27,760	41,843	42,882
2012									
Trade/Other Payables	751	815	655	-	-	-	-	2,221	3,689
Loans & Advances	-	2,061	2,103	2,089	2,138	2,132	15,171	25,694	25,694
Total Financial Liabilities	751	2,876	2,758	2,089	2,138	2,132	15,171	27,915	29,383

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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.5%	-	0.5%
Trade/Other Payables	4,911	0.0%	3,689	0.0%
Loans & Advances - Fixed Interest Rate	37,971	3.2%	25,694	7.3%
	<u>42,882</u>		<u>29,383</u>	

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16 - Material Budget Variations

Council's Original Financial Budget for 12/13 was incorporated as part of its Operational Plan and was adopted by Council on 28 June, 2012.

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 2012/13 financial year including transactions between activity areas and entities eliminated from the actual figure, and do not include council approved variations throughout the year.

Once again Council was conservative with its original forecast for Interest & Investment Revenue due to the expected volatility from the recent global financial crisis. Returns were more consistent than anticipated and Council was able to review its budget during the year. Council was able to achieve a substantial \$1,341,000 above the original estimate at the 30 June.

Other revenues increased by \$144,000 on the original budget. Council, as a member of Statewide Property Mutual was fortunate to receive a Statewide Property Mutual Rebate of \$44,600 relating to the 2008/2009 year, as well as receiving an interim dividend of \$23,000 following finalisation of claims incurred during the 2010/2011 year. Also during the year the committee responsible for the management of the Gumma Reserve dissolved and forwarded to Council its cash balance of \$28,000.

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 77% or \$3,959,000 on the budgeted figure. Once again this was primarily due to funding received for flood damage works totaling \$2,635,000 for roads and bridges. Also there was a variation between operating and capital estimates for regional road funding of \$83,000. Late in the year Council received additional library development grants of \$82,000 and a grant for the Electronic Housing Code of \$30,000. Additional grants were received for community services of \$76,000 (Healthy Communities) and \$73,000 (Professional Sport Development). Environmental grants of \$254,000 and \$108,000 (Our Living Coast) were also received. There was also an additional contribution of \$72,000 to that budgeted in relation to the Rural Fire Service and \$40,000 for the finalisation of the relocation of Radio Nambucca. 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.

With capital Grants & Contributions, the contributing factors in relation to the \$2,014,000 decrease were due to the delay to the Off-River Water Storage project where expected funding of \$985,000 subsidising works associated with the project was not due in 12/13. Also, the unavailability of a cycleway subsidy resulted in a reduction of \$325,000. In addition, Rural Fire Service plant equipment budgeted at \$48,000 was not received during the year. Although Council was significantly down in cash Developer Contributions this was offset by non-cash development dedications to infrastructure. The recording of the Roads to Recovery and RTA grants mentioned above in operating grants accounted for the remaining variation.

Although Council gained a profit of \$40,000 above the budgeted amount in relation to disposal of plant, a substantial net loss occurred on the disposal of assets. In July 2012 council resolved to transfer ownership of the Macksville Showground including the Saleyards to the Nambucca District Agricultural Association Limited for \$1. The combined write off figure of the Showground assets was \$2,734,000. Also as part of the current revaluation of land it was discovered that the Crown reserves associated with Nambucca Headland Caravan Park and Bowraville Pre-School were no longer under Council's control and therefore a combined amount of \$2,460,000 needed to be written off. Also an industrial land (Lot 1 DP 884337) of \$1,000,000 was erroneously included in Council's property register in addition to Real Estate Inventories register. Council also had to part write off infrastructure assets (roads, bridges and water system) of \$442,000 due to significant renewal works on those 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.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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 substantial decrease in borrowing costs to that budgeted was primarily the result of a reduced interest rate and later draw-down of an \$11,000,000 loan relating to the construction of Council's Off-River Water Storage project.

The 11% increase in depreciation is mainly due to the previous year revaluations of Sewerage Infrastructure assets.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	275	98	-	18	(150)	-	241	325	(164)	402	-
Traffic Facilities	298	6	-	18	(96)	-	226	39	(15)	250	-
Parking	74	-	-	5	-	-	79	13	(95)	(3)	-
Open Space	815	46	-	56	(106)	-	811	400	-	1,211	-
Surf Club Equipment	25	2	-	2	(9)	-	20	18	-	38	-
Section 94 Planner	(126)	5	-	-	-	-	(121)	-	-	(121)	-
S94 Contributions - under a Plan	1,361	157	-	99	(361)	-	1,256	795	(274)	1,777	-
Total S94 Revenue Under Plans	1,361	157	-	99	(361)	-	1,256				-
S64 Contributions	5,218	98	-	372	(35)	-	5,653				-
Total Contributions	6,579	255	-	471	(396)	-	6,909	795	(274)	1,777	-

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Roads and Traffic Facilities

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	275	98	-	18	(150)	-	241	325	(164)	402	-
Traffic Facilities	298	6	-	18	(96)	-	226	39	(15)	250	-
Parking	74	-	-	5	-	-	79	13	(95)	(3)	-
Total	647	104	-	41	(246)	-	546	377	(274)	649	-

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	815	46	-	56	(106)	-	811	400	-	1,211	-
Total	815	46	-	56	(106)	-	811	400	-	1,211	-

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	25	2	-	2	(9)	-	20	18	-	38	-
Total	25	2	-	2	(9)	-	20	18	-	38	-

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	(126)	5	-	-	-	-	(121)	-	-	(121)	-
Total	(126)	5	-	-	-	-	(121)	-	-	(121)	-

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013 was \$411,916. The last valuation of the Scheme was performed by Mr. Martin Stevenson BSc,FIA,FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30th June 2013 a deficit still exists. Effective from 1 July 2013, 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 \$746,210 as at 30 June 2013.

(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 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) HIH Insurance

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

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

(ii) Third Party Claims

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

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

(iii) S94 Plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(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 2013

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

\$ '000

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;

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)

(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.

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

Council has no interest in any 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 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous year's audited accounts)		220,897	215,901
a. Correction of Prior Period Errors	20 (c)	3,865	3,370
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		6,393	1,597
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		3,355	29
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		234,510	220,897
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		83,058	86,397
Total		83,058	86,397
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		86,397	98,932
- Revaluations for the year	9(a)	26	(12,506)
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	(10)	-
- Transfer to Retained Earnings for Asset disposals		(3,355)	(29)
- Balance at End of Year		83,058	86,397
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		-	-
- Balance at End of Year		-	-
Other Reserves			
- Opening Balance		-	-
- Balance at End of Year		-	-
TOTAL VALUE OF RESERVES		83,058	86,397

(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 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
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(c) Correction of Error/s relating to a Previous Reporting Period

Correction of errors disclosed in this year's financial statements:

- Rubbish Tip Provision Reduction	326	-
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As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:

- 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 has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/12 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/12 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 net increase / (decrease) in Council's Accumulated Surplus as at 30/6/12.

Correction of errors as disclosed in last year's financial statements:

Council revalued the following asset classes for the 11/12 Year End:

- Sewer Assets

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 30/6/11 (the closing date for the comparative figures in last year's report).

Nambucca Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<p>As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/11 to reflect the correct value of accumulated depreciation;</p>			
- Sewer Asset Class (increase)/decrease to accumulated depreciation			3,370
<p>This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.</p>			
<p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</p>			
<p>These amounted to the following Equity Adjustments:</p>			
- Adjustments to Opening Equity - 1/7/11 (relating to adjustments for the 30/6/11 reporting year end and prior periods)			-
- Adjustments to Closing Equity - 30/6/12 (relating to adjustments for the 30/6/12 year end)		3,865	3,370
Total Prior Period Adjustments - Prior Period Errors		3,865	3,370

(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 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	<u>Other</u>	<u>Water</u>	<u>Sewer</u>	<u>General¹</u>
Income from Continuing Operations				
Rates & Annual Charges		680	2,609	12,258
User Charges & Fees		3,127	714	1,039
Interest & Investment Revenue		753	506	1,122
Other Revenues		229	98	180
Grants & Contributions provided for Operating Purposes		86	74	8,954
Grants & Contributions provided for Capital Purposes		15,490	58	742
Other Income				
Net Gains from Disposal of Assets		-	2	-
Total Income from Continuing Operations	-	20,365	4,061	24,295
Expenses from Continuing Operations				
Employee Benefits & on-costs		1,094	1,500	7,098
Borrowing Costs		396	305	1,147
Materials & Contracts		777	1,596	8,841
Depreciation & Amortisation		964	1,762	7,348
Other Expenses		-	-	3,228
Net Losses from the Disposal of Assets		32	-	6,240
Total Expenses from Continuing Operations	-	3,263	5,163	33,902
Operating Result from Continuing Operations	-	17,102	(1,102)	(9,607)
Discontinued Operations				
Net Profit/(Loss) from Discontinued Operations		-	-	-
Net Operating Result for the Year	-	17,102	(1,102)	(9,607)
Net Operating Result attributable to each Council Fund	-	17,102	(1,102)	(9,607)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	1,612	(1,160)	(10,349)

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

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

Nambucca Shire Council

Notes to the Financial Statements
as at 30 June 2013

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

\$ '000

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013	Actual 2013
	Other	Water	Sewer	General ¹
ASSETS				
Current Assets				
Cash & Cash Equivalents		8,687	2,788	3,742
Investments		17,598	4,379	8,641
Receivables		1,292	426	4,564
Inventories		45	-	950
Other		-	-	75
Total Current Assets	-	27,622	7,593	17,972
Non-Current Assets				
Receivables		-	455	-
Inventories		-	-	21
Infrastructure, Property, Plant & Equipment		59,322	74,672	177,482
Total Non-Current Assets	-	59,322	75,127	177,503
TOTAL ASSETS	-	86,944	82,720	195,475
LIABILITIES				
Current Liabilities				
Payables		93	64	4,226
Borrowings		194	1,582	606
Provisions		-	-	3,686
Total Current Liabilities	-	287	1,646	8,518
Non-Current Liabilities				
Payables		-	-	1,036
Borrowings		14,358	9,921	11,310
Provisions		-	-	495
Total Non-Current Liabilities	-	14,358	9,921	12,841
TOTAL LIABILITIES	-	14,645	11,567	21,359
Net Assets	-	72,299	71,153	174,116
EQUITY				
Retained Earnings		48,935	52,280	133,295
Revaluation Reserves		23,364	18,873	40,821
Council Equity Interest		-	71,153	174,116
Total Equity	-	72,299	71,153	174,116

¹ General Fund refers to all Council's activities other than Water, Sewer & Other
NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

\$ '000	2013 Current	2013 Non Current	2012 Current	2012 Non Current
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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 2013

Note 23. Events occurring after the Reporting Period

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2013) 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 26/09/13.

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 2013.

(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 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

1. Construction of Bowraville Off River Water Storage

The construction of the \$54M Bowraville Off River Water Storage commenced in the 2012/13 financial year and will continue through most of the 2013/14 financial year. With any project of this scale there is a risk of variations in cost arising out of unforeseen circumstances. Council is dealing with a number of variations in the construction budget. At the date of preparing this disclosure, the major requests had not been finalised.

2. Legal Matters

Council is the respondent to a Class 4 action in the Land and Environment Court seeking orders which include the closure and demolition of the recently constructed Skate Park in Nambucca Heads. Mediation in relation to the action is being held on 30 August 2013. There are also a number of compliance matters which may require Council to incur legal costs so as to obtain the necessary court orders. It is possible the Council's legal costs in 2013/14 will exceed its budgeted provision.

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 24. Discontinued Operations

\$ '000

\$ '000

**Actual
2013**

**Actual
2012**

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 2013

Note 25. Intangible Assets

\$ '000

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

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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	
		2013	2012
Old Coast Road - Nambucca Heads	2013	457	763
Balance at End of the Reporting Period	10(a)	457	763

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	763	723
Amortisation of discount (expensed to borrowing costs)	20	40
Expenditure incurred attributable to Provisions	(326)	-
Total - Reinstatement, rehabilitation and restoration provision	457	763

Amount of Expected Reimbursements

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

Nambucca Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

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

Email: 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

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

email armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Nambucca Shire Council

SCOPE

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Nambucca Shire Council (the Council), for the year ended 30th June 2013.

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.

Further, our audit does not extend to the New South Wales Treasury Corporation ("TCorp") performance measures disclosed in Note 13 as these are not mandatory under the Code of Accounting Practice and Financial Reporting and the calculations are based on the DLG requirements for the Financial Disclosure Return (FDR) and differ from the Code 21 and TCorp calculation definitions as disclosed in Note 13 and are therefore not subject to our audit opinion 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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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.

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.

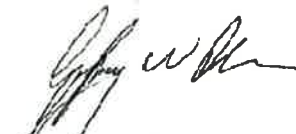
AUDIT OPINION

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 30th June 2013 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

29th October 2013
92 Rusden Street Armidale

29 October 2013

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 30th JUNE 2013

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2013 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Audit Objectives

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

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

Scope of the Audit

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

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

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them. Further, our audit does not extend to the NSW Treasury Corporation ("TCorp") performance measures disclosed in Note 13 as these are not mandatory under the Code of Accounting Practice and Financial Reporting and the calculations are based on the DLG requirements for the Financial Disclosure Return (FDR) which differ from the Code 21 and TCorp calculation definitions as disclosed in Note 13 and are therefore not subject to our audit opinion and accordingly, we express no opinion on them.

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

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

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Nambucca Shire Council for the year ended 30 June 2013 included on Nambucca Shire Council's web site. Council is responsible for the integrity of its 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

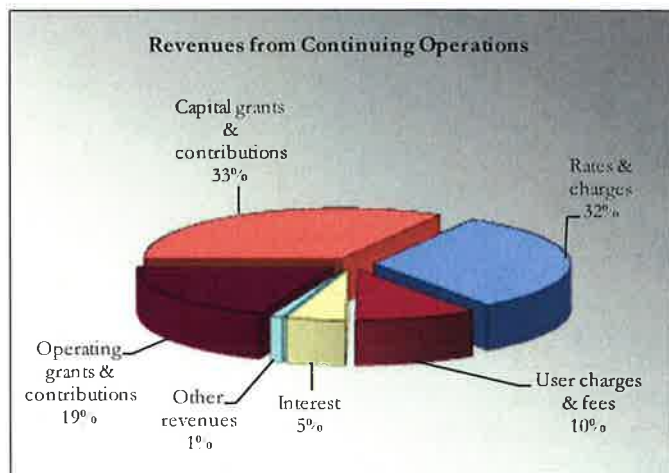
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The combined income statement for the year ended 30 June 2013 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2013	2013	2012	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	15,861	15,547	14,500	7.2%	-2.0%
User charges & fees	5,348	4,880	4,497	8.5%	-8.8%
Interest	1,107	2,381	1,895	25.6%	115.1%
Other revenues from ordinary activities	403	509	490	3.9%	26.3%
Grants & contributions for operating purposes	5,155	9,114	8,885	2.6%	76.8%
Grants & contributions for capital purposes	18,304	16,290	4,267	281.8%	-11.0%
Gain from sale of assets	42	0	0	0.0%	0.0%
Total income from continuing operations	46,220	48,721	34,534	41.1%	5.4%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	9,366	9,692	8,612	12.5%	3.5%
Borrowing costs	2,381	1,848	1,711	8.0%	-22.4%
Materials and contracts	7,942	11,214	10,212	9.8%	41.2%
Depreciation & amortisation	9,089	10,074	9,234	9.1%	10.8%
Other expenses from ordinary activities	3,209	3,228	3,140	2.8%	0.6%
Loss from disposal of assets	0	6,272	28	22300.0%	0.0%
Total Expenses from continuing operations	31,987	42,328	32,937	28.5%	32.3%
NET OPERATING RESULT FOR YEAR	14,233	6,393	1,597	300.3%	-55.1%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(4,071)	(9,897)	(2,670)	270.7%	143.1%

The operating result of \$6.3m is after recognising grants and contributions for capital expenditure purposes of \$16.3m. 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 \$9.9m (2012: deficit \$2.7m).

Operating revenues increased by 41.1% during the year mainly as a result of grants & contributions for capital purposes, rates & annual charges, user charges & fees and interest. Grants & contributions for capital purposes increased due to the receipt of \$15.4m of grants for the Off-River Water Storage project. Rates & annual charges increased due to rate pegging increases and waste, water and sewer



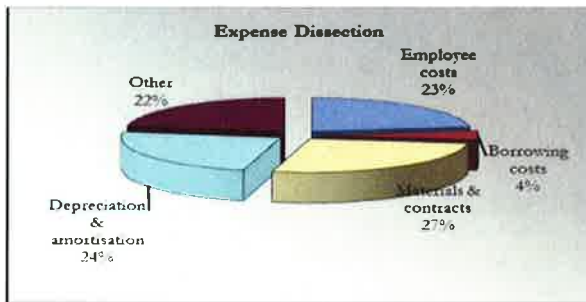
annual charge increases. User charges & fees increased due mainly to increased water usage charges. Interest revenue increased due to higher cash and investment balances during the year as a result of the timing of progress payments in relation to the Off-River Water Storage project.

Operating expenses increased by 28.5% during the year due to increases in employee benefits & on costs, materials & contracts, depreciation and losses on disposal of assets. Employee costs increased due to award increases, an increase in leave liabilities, redundancy payments being partially offset by a reduction of staff numbers and an increase of capitalisation of staff costs into capital projects during the year. Materials and contracts increased mainly as a result of costs associated additional work related to flood damage. Depreciation increased mainly as a result of the revaluation of water and sewer in the prior year. The large loss on the disposal of assets 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 \$6.4m compares with the original budget surplus of \$14.2m. The variance between the actual results and the original budget is primarily due to the following:

Large Budget Variations		Comment
Interest & Investment revenues	1,274,000	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	3,959,000	Favourable variance to budget mainly due to the receipt of funding for flood damage works and "Our living coast" environmental grants.
Capital Grants	(2,014,000)	Capital grants were unfavourable to budget mainly due to the delay of the Off-River Water Storage project and the unavailability of a cycleway subsidy.
Borrowing Costs	533,000	Favourable to budget mainly due to the timing of draw-downs of the \$11m loan for the construction of the Off-River Water Storage project.
Materials & Contracts	(3,272,000)	Unfavourable to budget mainly due to the additional work in relation to flood damage during the year.
Depreciation & Amortisation	(985,000)	Unfavourable to budget due to increases in depreciation as a result of revaluation of infrastructure in the prior year.
Loss from disposal of assets	(6,272,000)	Unfavourable to budget 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.

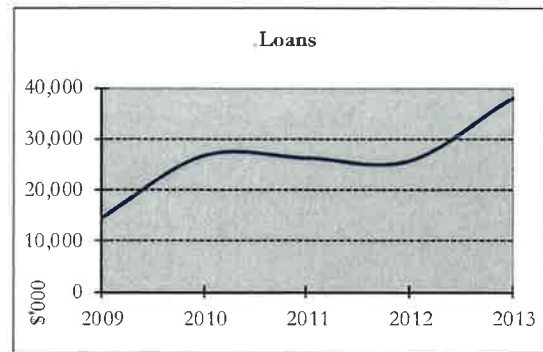
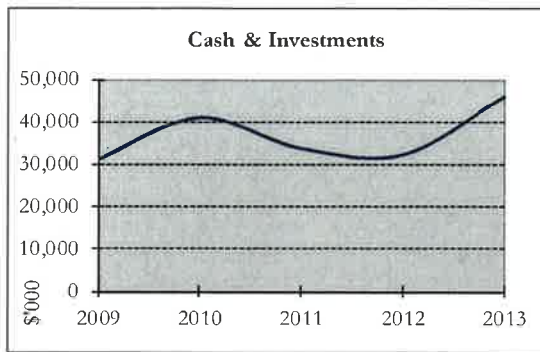
Below is a comparison of expense dissections for the Council for 2013 compared to the Group 11 councils average for 2011.



The major variations in the expenditure mix to the Group 11 average are employee costs, other costs and depreciation. Employee costs are lower because Nambucca Council has less expenditure on employees due to the mix between capital works and repairs and maintenance. Depreciation has been impacted by the increase in depreciation following the revaluation of assets in recent years. Note that 2011 is the latest available data as the Division of Local Government are no longer publishing this comparative information.

The following schedule of assets and liabilities has been extracted from the statement of financial position as at 30 June 2013. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2013	2012	Variance
CURRENT ASSETS			
Cash and cash equivalents	15,217	9,865	54.3%
Investments	30,618	22,379	36.8%
Receivables	6,282	5,790	8.5%
Inventories	995	783	27.1%
Other	75	429	-82.5%
TOTAL CURRENT ASSETS	53,187	39,246	35.5%
CURRENT LIABILITIES			
Payables	4,383	3,090	41.8%
Borrowings	2,382	2,061	15.6%
Provisions	3,686	3,699	-0.4%
TOTAL CURRENT LIABILITIES	10,451	8,850	18.1%
NET CURRENT ASSETS	42,736	30,396	40.6%
NON-CURRENT ASSETS			
Receivables	-	-	0.0%
Inventories	21	21	0.0%
Infrastructure, Property Plant & Equipment	311,476	301,980	3.1%
TOTAL NON-CURRENT ASSETS	311,497	302,001	3.1%
NON-CURRENT LIABILITIES			
Payables	581	655	-11.3%
Provisions	495	815	-39.3%
Borrowings	35,589	23,633	50.6%
TOTAL NON-CURRENT LIABILITIES	36,665	25,103	46.1%
NET ASSETS	317,568	307,294	3.3%



Cash and investments have increased from \$32.2m to \$45.8m during the year mainly due to the funding and borrowings in relation to the Off-River Water Storage project. In addition, receivables increased due to dam project related receivables at year end.

The total borrowings increased by \$12.3m to \$38.0m due to borrowings for the Off-River Water Storage project.

Payables have increased by \$1.3m mainly due to payables in relation for the new dam project.

The increase in infrastructure, property, plant and equipment of \$9.5m is due capital expenditure of \$22.6m (including the new dam project), revaluation of infrastructure of \$3.4m partially offset by asset disposals of \$6.6m and depreciation, impairment and adjustments of 9.9m.

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	27,622	7,593	1,279	16,693	53,187
Current Liabilities	287	1,646	-	8,518	10,451
Net Current Assets	27,335	5,947	1,279	8,175	42,736
Plus: Employee Entitlements Payable >12mths	-	-	-	2,484	2,484
Total Funds before Restrictions	27,335	5,947	1,279	10,659	45,220
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	3,386	2,268	-	1,255	6,909
Unexpended Loans	11,345	242	-	1,131	12,718
Security Deposits				795	795
Unexpended Grants	2,445	-	-	2,706	5,151
	17,176	2,510	-	5,887	25,573
NET FUNDS AVAILABLE	10,159	3,437	1,279	4,772	19,647
LESS Internal Restrictions	-	-	-	3,803	3,803
Net Funds After All Restrictions	10,159	3,437	1,279	969	15,844

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Council Building Reserve	189	-	5	184
Election	97	18	88	27
Employee Entitlements	1,631	325	189	1,767
Environmental rate unallocated	429	-	175	254
Lawn cemetery	8	-	-	8
Onsite -sewer maintenance	13	-	-	13
Land Development	344	2	98	248
Office Equipment	170	25	41	154
Plant Replacement	288	37	-	325
Public Road/Reserves Sales	51	-	-	51
Stormwater Management	153	-	12	141
Swimming Pool	38	15	-	53
Waste Management	359	55	7	407
Other	260	45	134	171
	4,030	522	749	3,803

After Funding both external and internal restrictions Council's general fund has unrestricted funds of \$1.0m (2012: \$1.4m) which is considered adequate to cover working capital requirements.

Council has set aside \$1.8m to fund the employee leave entitlements provision. This amount represents 47.4% 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	2013	2012	2011	2010	2009
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.71	2.02	2.3	3.93	2.12
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	13.0%	12.2%	13.1%	6.2%	5.7%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	31.9%	42.0%	39.5%	38.0%	42.3%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	4.9%	5.8%	6.2%	5.8%	5.8%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.69	0.92	0.84	0.76	0.60

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 1.71 as at 30 June 2013 indicates that there is \$1.71 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 1.71 compares to the average of 4.53 for the Group 11 Councils and is lower than the State average of 3.80 for 2012. However, the ratio is higher than the TCorp benchmark of greater than 1.5.

Debt service ratio

The debt service ratio of 13% indicates the percentage of Council's operating revenues are being utilised to fund debt servicing costs. This ratio is higher than the average of 4.11% for the Group 11 Councils and the State average of 5.45% for 2011 (latest available data) due to the significant borrowings for the Off-River Water Storage project.

Rate coverage ratio

The rate coverage ratio shows that 31.9% of the councils revenue is derived from rates and annual charges. This compares to the Group 11 Councils average 34.45 and the State average of 46.38% for 2011 (latest available data). The ratio shows councils dependence on non-rate income and the impact of receiving significant capital grants in the 2013 year.

Outstanding rate ratio

The outstanding rate ratio of 4.9% compares favourably to the average of 8.16% for Group 11 Councils and the State average of 5.4% for 2011 (latest available data). This ratio is an indicator of Councils activity to collect outstanding rate revenues.

Asset renewals ratio

The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2013 Council spent \$0.69 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.92 and the state average of \$0.66 for 2012.

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.

TCorp Performance Indicators

The Code of Accounting Practice has introduced new non-mandatory performance indicators that have been developed by TCorp as part of their review during the year of all councils future financial sustainability. These financial indicators are considered useful in assessing long term financial sustainability rather than the financial position at the end of the financial year.

As disclosed in Note 13, the TCorp ratios calculated for 2013 are based on the DLG requirements for the Financial Disclosure Return (FDR) and differ from the Code 21 and TCorp calculation definitions. Council has decided to align the financial statement ratios with the FDR calculation process to avoid variances in results. Therefore, the wording explaining the ratio components in Note 13 does not align to the actual figures used in the ratio. Given the TCorp ratios are not a mandatory disclosure requirement and the variances in the calculation process we provide no audit opinion on these ratios.

The key consolidated TCorp performance measures disclosed in the Financial Statements are:

RATIO	PURPOSE	2013	2012	2011	2010	2009
OPERATING PERFORMANCE	To assess councils ability to meet operating expenditure within operating revenue.	-33.0%	-9.5%	-14.9%	-6.4%	-14%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	42.4%	55.3%	51.4%	55.5%	52%
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	0.36	2.19	1.96	3.86	4.42
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.59	1.23	2.12	1.73	1.48
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	31.0%	29.0%	34.0%	33.0%	23.0%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	0.69	0.55	0.53	0.52	0.87
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	6.01	5.38	0.50	-	1.90
INTEREST COVER RATIO	To assess the extent to which council can service its interest bearing debt and take on additional borrowings.	0.77	4.73	3.86	6.10	8.13

Council is only required to disclose these performance measures for the 2013 year. However, for comparative purposes we have included the indicators for the past 5 years with the ratios for 2012 and 2009 being sourced from the TCorp report issued during the 2013 year.

Operating performance

An operating performance deficit of 33% compares to a deficit in 2012 of 9.5% 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 2.72% and a state average deficit of 4.4%. 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 42.4% for the 2013 year highlights Council’s dependence on grants and contributions and compares to a Group 11 average of 54.2% for 2012 and a State average of 56.7% for 2012. The TCorp benchmark for sustainability is to have a ratio of greater than 60%.

Debt service cover ratio

The debt service cover ratio of 0.36 times indicates that council has \$0.36 before interest and depreciation to pay interest and principal repayments on current borrowings. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

Capital expenditure ratio

The capital expenditure ratio of 1.59 indicates that Council has expended \$1.59 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.

Infrastructure backlog ratio

An infrastructure backlog ratio 31% indicates that the infrastructure backlog represents 31% of the value of Council's infrastructure and compares to a Group 11 average of 15.9% and State average of 13% for 2012. The TCorp benchmark is a ratio less than 20%.

We do not provide an audit opinion regarding the accuracy of the infrastructure backlog ratio as it involves significant judgement by council staff regarding the condition of its assets and the costs required to bring them to a satisfactory standard. The data is sourced from the unaudited Special Schedule 7 of the financial statements.

Asset maintenance ratio

The Asset Maintenance ratio of 0.69 indicates that Council has been undertaking insufficient maintenance to keep pace with required maintenance requirements as determined by council's engineers and maintenance staff. A ratio of greater than 1.0 is considered acceptable by TCorp.

We do not provide an audit opinion regarding the accuracy of the asset maintenance ratio as it involves significant judgement by council staff regarding the costs required to maintain assets. The data is sourced from the unaudited Special Schedule 7 of the financial statements.

Cash expense ratio

The ratio indicates that Council can pay 6.01 months of its expenses without additional cash inflows. The TCorp benchmark is to have reserves to meet at least 6.01 months of operating expenditure. Since Council also has significant long term deposits not included in this ratio, it has maintained strong cash reserves and per this ratio maintains a healthy short term financial position.

Interest cover ratio

This ratio indicates that Council has 0.77 times interest cover and is not in a satisfactory position to service current debt commitments and do not have the ability to service additional debt borrowings.

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 2013	Actual 2012	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	50,871	32,994	54.2%
Proceeds from Assets Sales	344	93	269.9%
Repayment from Deferred Debtors	0	0	0.0%
Proceeds form sale of investments	0	15,624	0.0%
Proceeds from Borrowings	13,935	925	1406.5%
TOTAL RECEIPTS	65,150	49,636	31.3%
CASH OUTFLOWS			
Operating Payments	27,877	23,822	17.0%
Purchase of Assets	22,155	9,917	123.4%
Purchase of investments	7,644	13,922	-45.1%
Repayment of Loans	2,121	1,984	6.9%
Other Payments	1	0	0.0%
TOTAL PAYMENTS	59,798	49,645	20.5%
TOTAL CASH MOVEMENT	5,352	-9	-59566.7%
Cash and cash equivalents	15,217	9,865	54.3%
Investments	30,618	22,379	36.8%
Total Cash & Investments on Hand	45,835	32,244	42.2%

Total cash and investments increased from \$32.2m in 2012 to \$45.8m mainly due to the receipt of \$15.4m of grant funding and borrowing of \$11m in relation to the Off-River Water Storage project, and borrowings of \$3m in relation to roads and bridges, which was offset by repayments of borrowings of \$2.1m.

Cash outflows for purchase of assets included road and bridge construction totalling \$3.3m. This compares with the \$4.9m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a “satisfactory standard” is \$31.5m.

Other asset additions during the year were \$14.8m for capital work in progress, \$1.0m on replacement plant, \$1.2m on land and buildings and \$2.0m on water, stormwater and sewer infrastructure.

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 \$1,303,000 after allowing for depreciation of \$964,000.

The Net Current Asset position records a positive balance of \$27,335,000 (2012: \$13,173,000) 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 \$1,440,000 after allowing for depreciation of \$1,762,000.

The current level of Net Current Assets of \$5,947,000 (2012: \$7,843,000) 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 the prior year.

FINANCIAL SUSTAINABILITY

During the year all councils have had an external assessment by NSW Treasury Corporation (“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;
- 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.

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*.

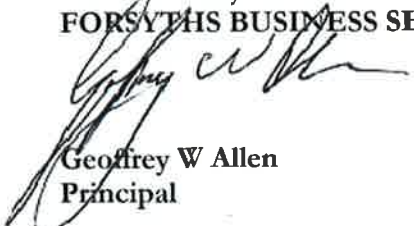
Matters of a technical nature have been documented in a management letter to the General Manager. We take this opportunity of thanking the General Manager and his staff for their co-operation and

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 2013

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

Special Schedules

for the financial year ended 30 June 2013

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¹ Special Purpose Schedules are not audited.

Background

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

Nambucca Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	742	-	-	(742)
Administration	385	277	5	(103)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	878	357	58	(463)
Beach Control	141	11	2	(128)
Animal Control	180	19	-	(161)
Total Public Order & Safety	1,199	387	60	(752)
Health	330	121	-	(209)
Environment				
Noxious Plants and Insect/Vermin Control	316	96	-	(220)
Other Environmental Protection	1,039	626	-	(413)
Solid Waste Management	4,102	4,510	-	408
Street Cleaning	332	-	-	(332)
Drainage	-	139	-	139
Total Environment	5,789	5,371	-	(418)
Community Services and Education				
Social Protection (Welfare)	495	307	-	(188)
Aged Persons and Disabled	40	17	-	(23)
Children's Services	94	103	-	9
Total Community Services & Education	629	427	-	(202)
Housing and Community Amenities				
Public Cemeteries	76	49	-	(27)
Public Conveniences	269	-	-	(269)
Street Lighting	-	19	-	19
Town Planning	651	-	-	(651)
Total Housing and Community Amenities	996	68	-	(928)
Water Supplies	3,210	4,642	15,490	16,922
Sewerage Services	5,118	3,879	58	(1,181)

Nambucca Shire Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	718	171	-	(547)
Museums	133	1	-	(132)
Community Centres and Halls	391	46	10	(335)
Other Cultural Services	126	-	-	(126)
Swimming Pools	514	2	-	(512)
Parks & Gardens (Lakes)	1,227	-	-	(1,227)
Other Sport and Recreation	404	248	52	(104)
Total Recreation and Culture	3,513	468	62	(2,983)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	391	62	-	(329)
Total Mining, Manufacturing and Const.	391	62	-	(329)
Transport and Communication				
Urban Roads (UR) - Local	3,398	-	-	(3,398)
Urban Roads - Regional	51	384	99	432
Sealed Rural Roads (SRR) - Local	6,770	2,993	516	(3,261)
Unsealed Rural Roads (URR) - Local	1,290	-	-	(1,290)
Unsealed Rural Roads (URR) - Regional	1,235	-	-	(1,235)
Bridges on UR - Local	1,313	14	-	(1,299)
Parking Areas	34	29	-	(5)
Footpaths	135	4	-	(131)
Other Transport & Communication	558	18	-	(540)
Total Transport and Communication	14,784	3,442	615	(10,727)
Economic Affairs				
Other Economic Affairs	5,242	81	-	(5,161)
Total Economic Affairs	5,242	81	-	(5,161)
Totals – Functions	42,328	19,225	16,290	(6,813)
General Purpose Revenues⁽²⁾		13,206		13,206
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	42,328	32,431	16,290	6,393

(1) As reported in the Income Statement

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

Nambucca Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2013

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
Loans (by Source)									
Financial Institutions	759	16,805	13,935	819			1,426	1,082	29,598
Other	1,302	8,991		1,302			6	1,300	7,691
Total Loans	2,061	25,796	13,935	2,121	-	-	1,432	2,382	37,289
Total Debt	2,061	25,796	13,935	2,121	-	-	1,432	2,382	39,671

\$'000

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

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

Nambucca Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2013

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General Water Sewer			
Domestic Waste Management	360	45	-
Other Waste Management	90	11	-
Bridges	615	23	480
Gas			
Other			
Totals	1,065	79	480

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

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Domestic Waste Mgm Water		10/07/02	10/01/03	10	10/07/12	5.55%	360	45	-
Other Waste Mgmt Water		10/07/02	10/01/03	10	10/07/12	5.55%	90	11	-
Bridges Sewer		30/06/06	30/06/06	20	30/06/26	6.50%	615	23	480
Totals							1,065	79	480

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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	379	417
b. Engineering and Supervision	259	231
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	272	279
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	71	51
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	262	222
i. Maintenance expenses	56	49
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	97	108
- Other		
m. Operation expenses	436	404
n. Maintenance expenses	40	31
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	950	974
b. Plant and equipment	14	16
4. Miscellaneous expenses		
a. Interest expenses	396	254
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	14
5. Total expenses	3,250	3,050

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	594	527
b. Usage charges	2,075	1,506
7. Non-residential charges		
a. Access (including rates)	86	127
b. Usage charges	1,052	742
8. Extra charges	12	10
9. Interest income	741	573
10. Other income	229	198
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	15,423	-
b. Grants for pensioner rebates	86	86
c. Other grants	-	-
12. Contributions		
a. Developer charges	57	313
b. Developer provided assets	-	-
c. Other contributions	11	82
13. Total income	20,366	4,164
14. Gain (or loss) on disposal of assets	(32)	-
15. Operating Result	17,084	1,114
15a. Operating Result (less grants for acquisition of assets)	1,661	1,114

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	14,249	86
c. Renewals	479	202
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	76	48
c. Finance leases	-	-
18. Transfer to sinking fund		
	-	-
19. Totals	14,804	336
Non-operating funds employed		
20. Proceeds from disposal of assets		
	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund		
	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	5,430	5,459
b. Residential (unoccupied, ie. vacant lot)	643	440
c. Non-residential (occupied)	462	645
d. Non-residential (unoccupied, ie. vacant lot)	114	74
25. Number of ETs for which developer charges were received		
	9 ET	125 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 149,615	\$ 150,214

Nambucca Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2013

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

* 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 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	3,386	-	3,386
b. Special purpose grants	2,445	-	2,445
c. Accrued leave	-	-	-
d. Unexpended loans	11,345	-	11,345
e. Sinking fund	-	-	-
f. Other	9,109	-	9,109
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	1,249	-	1,249
c. User Charges	43	-	43
d. Other	-	-	-
32. Inventories	45	-	45
33. Property, plant and equipment			
a. System assets	-	59,089	59,089
b. Plant and equipment	-	233	233
34. Other assets	-	-	-
35. Total assets	27,622	59,322	86,944
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	93	-	93
38. Borrowings			
a. Loans	194	14,358	14,552
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	287	14,358	14,645
41. NET ASSETS COMMITTED	27,335	44,964	72,299
EQUITY			
42. Accumulated surplus			48,935
43. Asset revaluation reserve			23,364
44. TOTAL EQUITY			72,299
Note to system assets:			
45. Current replacement cost of system assets			88,708
46. Accumulated current cost depreciation of system assets			(29,386)
47. Written down current cost of system assets			59,322

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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	712	687
b. Engineering and Supervision	294	265
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	247	151
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	176	172
e. Maintenance expenses	240	272
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	110	142
i. Effluent Management	14	10
j. Biosolids Management	24	173
k. Maintenance expenses	575	499
- Other		
l. Operation expenses	242	256
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	1,726	957
b. Plant and equipment	36	19
4. Miscellaneous expenses		
a. Interest expenses	768	834
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	16	16
5. Total expenses	5,180	4,453

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	2,203	2,024
7. Non-residential charges		
a. Access (including rates)	313	325
b. Usage charges	714	906
8. Trade Waste Charges		
a. Annual Fees	21	20
b. Usage charges	72	79
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	506	384
11. Other income	98	90
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	15	1,175
b. Grants for pensioner rebates	74	75
c. Other grants	-	-
13. Contributions		
a. Developer charges	42	366
b. Developer provided assets	-	-
c. Other contributions	1	70
14. Total income	4,059	5,514
15. Gain (or loss) on disposal of assets	2	(12)
16. Operating Result	(1,119)	1,049
16a. Operating Result (less grants for acquisition of assets)	(1,134)	(126)

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	208	158
c. Renewals	1,239	1,837
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	1,562	1,544
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	3,009	3,539
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	5,062	4,820
b. Residential (unoccupied, ie. vacant lot)	319	359
c. Non-residential (occupied)	530	612
d. Non-residential (unoccupied, ie. vacant lot)	68	82
26. Number of ETs for which developer charges were received	8 ET	127 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 135,004	\$ 135,867

Nambucca Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2013

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

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

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

Nambucca Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,268	-	2,268
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	242	-	242
e. Sinking fund	-	-	-
f. Other	4,657	-	4,657
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	401	-	401
c. User Charges	-	-	-
d. Other	25	455	480
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	74,544	74,544
b. Plant and equipment	-	128	128
35. Other assets	-	-	-
36. Total Assets	7,593	75,127	82,720
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	64	-	64
39. Borrowings			
a. Loans	1,582	9,921	11,503
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	1,646	9,921	11,567
42. NET ASSETS COMMITTED	5,947	65,206	71,153
EQUITY			
42. Accumulated surplus			52,280
44. Asset revaluation reserve			18,873
45. TOTAL EQUITY			71,153
Note to system assets:			
46. Current replacement cost of system assets			104,521
47. Accumulated current cost depreciation of system assets			(29,849)
48. Written down current cost of system assets			74,672

Nambucca Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2013

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Nambucca Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	Forecast ⁽³⁾	
	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
(i) OPERATING BUDGET											
Income from continuing operations	48,721	40,713	31,357	32,657	32,692	36,855	34,278	34,796	35,325	35,864	36,414
Expenses from continuing operations	42,328	33,776	33,852	33,436	34,084	34,197	34,399	34,456	34,451	34,459	34,347
Operating Result from Continuing Operations	6,393	6,937	(2,495)	(779)	(1,392)	2,658	(121)	340	874	1,405	2,067
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	15,558	32,500	1,321	1,380	19,404	6,229	6,197	3,178	6,725	780	-
Replacement/Refurbishment of Existing Assets	7,071	6,260	8,062	7,687	7,351	7,480	5,752	5,899	4,989	5,489	2,916
Total Capital Budget	22,629	38,760	9,383	9,067	26,755	13,709	11,949	9,077	11,714	6,269	2,916
Funded by:											
- Loans	5,115	12,705	2,500	2,500	20,500	6,500	3,500	2,500	3,500	500	500
- Reserves	1,295	5,832	1,117	2,015	789	1,212	1,212	1,212	1,212	780	-
- Grants/Contributions	15,517	11,470	1,788	1,788	1,788	1,788	1,788	1,788	1,788	1,788	1,788
- Recurrent revenue	702	8,753	3,978	2,764	3,678	4,209	5,449	3,577	5,214	3,201	628
- Other											
	22,629	38,760	9,383	9,067	26,755	13,709	11,949	9,077	11,714	6,269	2,916

Notes:

- (1) From 12/13 Income Statement.
- (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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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 2013

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 26 September 2013.



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 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	680	654
User charges	3,127	2,248
Interest	753	583
Grants and contributions provided for non capital purposes	86	86
Other income	229	197
Total income from continuing operations	4,875	3,768
Expenses from continuing operations		
Employee benefits and on-costs	1,094	1,062
Borrowing costs	396	254
Materials and contracts	777	730
Depreciation and impairment	964	990
Loss on sale of assets	32	-
Calculated taxation equivalents	18	14
Debt guarantee fee (if applicable)	291	67
Total expenses from continuing operations	3,572	3,117
Surplus (deficit) from Continuing Operations before capital amounts	1,303	651
Grants and contributions provided for capital purposes	15,490	396
Surplus (deficit) from Continuing Operations after capital amounts	16,793	1,047
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	16,793	1,047
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(391)	(195)
SURPLUS (DEFICIT) AFTER TAX	16,402	852
plus Opening Retained Profits	31,790	30,676
plus/less: Prior Period Adjustments	14	-
plus/less: Other Adjustments (Transfer to Ret. Earnings-Asset Disposals/Sales)	47	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	18	14
- Debt guarantee fees	291	67
- Corporate taxation equivalent	391	195
less:		
- Tax Equivalent Dividend paid	(18)	(14)
Closing Retained Profits	48,935	31,790
Return on Capital %	2.9%	2.0%
Subsidy from Council	537	438
Calculation of dividend payable:		
Surplus (deficit) after tax	16,402	852
less: Capital grants and contributions (excluding developer contributions)	(15,434)	(81)
Surplus for dividend calculation purposes	968	771
Potential Dividend calculated from surplus	484	385

Nambucca Shire Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	2,609	2,448
User charges	714	906
Interest	506	384
Grants and contributions provided for non capital purposes	74	75
Profit from the sale of assets	2	-
Other income	98	90
Total income from continuing operations	4,003	3,903
Expenses from continuing operations		
Employee benefits and on-costs	1,500	1,422
Borrowing costs	305	325
Materials and contracts	1,596	1,714
Depreciation and impairment	1,762	976
Loss on sale of assets	-	12
Calculated taxation equivalents	16	16
Debt guarantee fee (if applicable)	264	272
Total expenses from continuing operations	5,443	4,737
Surplus (deficit) from Continuing Operations before capital amounts	(1,440)	(834)
Grants and contributions provided for capital purposes	58	1,611
Surplus (deficit) from Continuing Operations after capital amounts	(1,382)	777
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,382)	777
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,382)	777
plus Opening Retained Profits	52,740	48,321
plus/less: Prior Period Adjustments	658	3,370
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	16	16
- Debt guarantee fees	264	272
less:		
- Tax Equivalent Dividend paid	(16)	(16)
Closing Retained Profits	52,280	52,740
Return on Capital %	-1.5%	-0.7%
Subsidy from Council	3,950	2,694
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,382)	777
less: Capital grants and contributions (excluding developer contributions)	(16)	(1,245)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Nambucca Shire Council

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

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and Investments	26,285	12,099
Receivables	1,292	1,143
Inventories	45	43
Total Current Assets	27,622	13,285
Non-Current Assets		
Infrastructure, property, plant and equipment	59,322	44,319
Total non-Current Assets	59,322	44,319
TOTAL ASSETS	86,944	57,604
LIABILITIES		
Current Liabilities		
Payables	93	58
Interest bearing liabilities	194	54
Total Current Liabilities	287	112
Non-Current Liabilities		
Interest bearing liabilities	14,358	3,574
Total Non-Current Liabilities	14,358	3,574
TOTAL LIABILITIES	14,645	3,686
NET ASSETS	72,299	53,918
EQUITY		
Retained earnings	48,935	31,790
Revaluation reserves	23,364	22,128
Council equity interest	72,299	53,918
TOTAL EQUITY	72,299	53,918

Nambucca Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and Investments	7,167	9,142
Receivables	426	329
Total Current Assets	7,593	9,471
Non-Current Assets		
Receivables	455	480
Infrastructure, property, plant and equipment	74,672	72,115
Total non-Current Assets	75,127	72,595
TOTAL ASSETS	82,720	82,066
LIABILITIES		
Current Liabilities		
Payables	64	66
Interest bearing liabilities	1,582	1,562
Total Current Liabilities	1,646	1,628
Non-Current Liabilities		
Interest bearing liabilities	9,921	11,040
Total Non-Current Liabilities	9,921	11,040
TOTAL LIABILITIES	11,567	12,668
NET ASSETS	71,153	69,398
EQUITY		
Retained earnings	52,280	52,740
Revaluation reserves	18,873	16,658
Council equity interest	71,153	69,398
TOTAL EQUITY	71,153	69,398

Nambucca Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8-10
2	Water Supply Business Best Practice Management disclosure requirements	11-12
3	Sewerage Business Best Practice Management disclosure requirements	13-15

Nambucca Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council 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 Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

b. Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

Category 2

(where gross operating turnover is less than \$2 million)

Nil

Monetary Amounts

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

As required by the NSW Office of Water (Department of 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 2013

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 **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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 2013

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 3.77% at 30/6/13.

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 2013 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 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	19,947
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	18,466

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	484,050
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	199,470
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	2,092,600

2013 Surplus	968,100	2012 Surplus	770,700	2011 Surplus	353,800
		2012 Dividend	-	2011 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	199,470
(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 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

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

2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,202
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	77.74%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	59,322
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,872
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	14,728
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.29%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	15,423

- 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 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	<input type="text" value="-"/>
(ii) No of assessments multiplied by \$3/assessment	<input type="text" value="17,937"/>
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	<input type="text" value="-"/>
(iv) Amounts actually paid for Tax Equivalents	<input type="text" value="15,717"/>

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="-"/>
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="179,370"/>
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	<input type="text" value="(1,736,000)"/>

2013 Surplus	(1,398,000)	2012 Surplus	(468,000)	2011 Surplus	130,000
		2012 Dividend	-	2011 Dividend	

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="n/a"/>
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	<input type="text"/>

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)	<input type="text" value="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]	<input type="text" value="YES"/>
Complying charges (a) Residential [Item 2(c) in Table 1]	<input type="text" value="YES"/>
(b) Non Residential [Item 2(c) in Table 1]	<input type="text" value="YES"/>
(c) Trade Waste [Item 2(d) in Table 1]	<input type="text" value="YES"/>
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="text" value="YES"/>
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	<input type="text" value="YES"/>
(iii) Complete Performance Reporting Form (by 15 September each year)	<input type="text" value="YES"/>
(iv) a. Integrated Water Cycle Management Evaluation	<input type="text" value="YES"/>
b. Complete and implement Integrated Water Cycle Management Strategy	<input type="text" value="YES"/>

Nambucca Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,538
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	74,672
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,634
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,447
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-1.15%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	15

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	7,710
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.08%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	16,175
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	0.38%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Nambucca Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2013

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	18.16%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest		> 100
	Earnings before Interest & Tax (EBIT):		246
	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:		- 83
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	493
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	160

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

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ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Nambucca Shire Council

SCOPE

We have audited the special purpose financial statements of Nambucca Shire Council for the year ended 30th June 2013 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

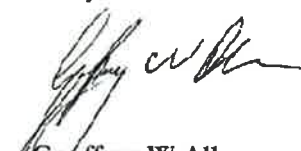
In our opinion, the Special Purpose Financial Statements of the Nambucca Shire Council for the year ended 30th June 2013 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

29th October 2013
92 Rusden Street Armidale