

Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



"Your place, Our place, Great place"

Bega Valley Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2012

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 09/10/12.
Council has the power to amend and reissue the financial statements.

Bega Valley Shire Council

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

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & Community.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Division of Local Government.

About the Councillor/Management Statement

The Financial Statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the Financial Statements.

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

This Statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. A Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equip.

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This Statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

Who uses the Financial Statements ?

The Financial Statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Bega Valley Shire Council

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

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

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

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

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

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

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

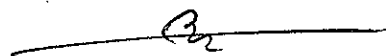
Signed in accordance with a resolution of Council made on 09 October 2012.



Councillor Bill Taylor
MAYOR



Councillor
COUNCILLOR



Peter Tegar
GENERAL MANAGER



Lucas Scarpin
RESPONSIBLE ACCOUNTING OFFICER

Bega Valley Shire Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾ 2012 \$ '000		Notes	Actual 2012	Actual 2011
Income from Continuing Operations				
Revenue:				
39,340	Rates & Annual Charges	3a	38,754	37,658
13,136	User Charges & Fees	3b	14,206	13,082
1,478	Interest & Investment Revenue	3c	2,727	3,112
5,267	Other Revenues	3d	570	405
11,428	Grants & Contributions provided for Operating Purposes	3e,f	25,070	17,211
3,959	Grants & Contributions provided for Capital Purposes	3e,f	5,734	13,291
Other Income:				
300	Net gains from the disposal of assets	5	930	82
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
74,908	Total Income from Continuing Operations		87,991	84,841
Expenses from Continuing Operations				
21,614	Employee Benefits & On-Costs	4a	26,482	23,976
2,526	Borrowing Costs	4b	2,172	2,279
27,511	Materials & Contracts	4c	26,537	23,792
12,914	Depreciation & Amortisation	4d	18,839	18,174
-	Impairment	4d	-	-
5,364	Other Expenses	4e	5,073	4,788
69,929	Total Expenses from Continuing Operations		79,103	73,009
4,979	Operating Result from Continuing Operations		8,888	11,832
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	(6,159)
4,979	Net Operating Result for the Year		8,888	5,673
4,979	Net Operating Result attributable to Council		8,888	5,673
-	Net Operating Result attributable to Minority Interests		-	-
1,020	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		3,154	(7,618)

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

Bega Valley Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		8,888	5,673
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	120,775	52,653
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(4,975)
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		120,775	47,678
Total Comprehensive Income for the Year		129,663	53,351
Total Comprehensive Income attributable to Council		129,663	53,351
Total Comprehensive Income attributable to Minority Interests		-	-

Bega Valley Shire Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	52,684	40,267
Investments	6b	1,132	5,272
Receivables	7	9,967	9,896
Inventories	8	469	554
Other	8	-	494
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		64,252	56,483
Non-Current Assets			
Investments	6b	-	-
Receivables	7	76	99
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	936,078	815,091
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		936,154	815,190
TOTAL ASSETS		1,000,406	871,673
LIABILITIES			
Current Liabilities			
Payables	10	5,778	5,753
Borrowings	10	2,322	2,353
Provisions	10	6,639	6,469
Total Current Liabilities		14,739	14,575
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	29,221	30,541
Provisions	10	5,238	5,012
Total Non-Current Liabilities		34,459	35,553
TOTAL LIABILITIES		49,198	50,128
Net Assets		951,208	821,545
EQUITY			
Retained Earnings	20	545,489	536,601
Revaluation Reserves	20	405,719	284,944
Council Equity Interest		951,208	821,545
Minority Equity Interest		-	-
Total Equity		951,208	821,545

Bega Valley Shire Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		536,601	284,944	821,545	-	821,545
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		536,601	284,944	821,545	-	821,545
c. Net Operating Result for the Year		8,888	-	8,888	-	8,888
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	120,775	120,775	-	120,775
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	120,775	120,775	-	120,775
Total Comprehensive Income (c&d)		8,888	120,775	129,663	-	129,663
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		545,489	405,719	951,208	-	951,208

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		530,928	237,266	768,194	-	768,194
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		530,928	237,266	768,194	-	768,194
c. Net Operating Result for the Year		5,673	-	5,673	-	5,673
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	52,653	52,653	-	52,653
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(4,975)	(4,975)	-	(4,975)
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	47,678	47,678	-	47,678
Total Comprehensive Income (c&d)		5,673	47,678	53,351	-	53,351
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		536,601	284,944	821,545	-	821,545

Bega Valley Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
39,366	Rates & Annual Charges		39,005	37,101
13,690	User Charges & Fees		15,430	13,731
1,807	Investment & Interest Revenue Received		2,649	3,183
14,690	Grants & Contributions		33,316	26,499
-	Bonds, Deposits & Retention amounts received		69	43
6,097	Other		2,053	4,466
Payments:				
(21,614)	Employee Benefits & On-Costs		(25,892)	(26,829)
(27,510)	Materials & Contracts		(29,063)	(26,526)
(2,526)	Borrowing Costs		(2,144)	(2,239)
(5,364)	Other		(7,691)	(11,931)
18,636	Net Cash provided (or used in) Operating Activities	11b	27,732	17,498
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		-	6,897
2,090	Sale of Infrastructure, Property, Plant & Equipment		2,509	3,876
12	Deferred Debtors Receipts		25	-
Payments:				
-	Purchase of Investment Securities		4,140	-
(20,789)	Purchase of Infrastructure, Property, Plant & Equipment		(20,630)	(26,648)
-	Deferred Debtors & Advances Made		(8)	(28)
(18,687)	Net Cash provided (or used in) Investing Activities		(13,964)	(15,903)
Cash Flows from Financing Activities				
Receipts:				
3,150	Proceeds from Borrowings & Advances		1,000	936
Payments:				
(2,438)	Repayment of Borrowings & Advances		(2,351)	(2,629)
712	Net Cash Flow provided (used in) Financing Activities		(1,351)	(1,693)
661	Net Increase/(Decrease) in Cash & Cash Equivalents		12,417	(98)
34,505	plus: Cash & Cash Equivalents - beginning of year	11a	40,267	40,365
35,166	Cash & Cash Equivalents - end of the year	11a	52,684	40,267
Additional Information:				
	plus: Investments on hand - end of year	6b	1,132	5,272
	Total Cash, Cash Equivalents & Investments		53,816	45,539

Please refer to Note 11 for additional cash flow information

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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n/a - not applicable

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

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

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

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

(i) The Consolidated Fund

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

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

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

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

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- *Twyford Hall Committee*

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Total income from continuing operations	\$124
Total expenditure from continuing operations	\$46
Total net assets held (ie Equity)	\$596

Note:

The 2011/2012 figures were not available at the time of preparation of council's financial statements. The above figures reflect the 2010/2011 position

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

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

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

Council has no finance leases.

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**.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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.

(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..

(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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

(h) Receivables

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

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

The 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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(Internal Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External/Internal Valuation)
- **Community Land** (Internal Valuation based on Valuer General's Values)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (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 carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

During 2011/2012 Water and Sewer infrastructure assets were revalued, resulting in an increase in equity of \$119,554,000.

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	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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Water & Sewer Assets

Reticulation extensions	> \$10,000
Other	> \$10,000

Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

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	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 10 years

Other Equipment

- Playground equipment	5 to 40 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

- Drains	100 years
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Transportation Assets

- Roads	20 years
- Bridges	60 to 80 years
- Car Parks	100 years
- Kerb, Gutter & Paths	70 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes	80 years
- Sewer Treatment Plants	50 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Other Assets

- Library Books	10 years
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Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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 exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Council held no investment property at reporting date.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick

leave expected to be settled within the 12 months after the reporting period.

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

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

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

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

(ii) Other Long Term Obligations

The liability for all long service and annual leave 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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. An estimate of the deficit attributable to Council is \$2,497,468 at 30 June 2012.

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

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

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

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

Defined Contribution Plans

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

(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 30/6/12.

(y) Self insurance

Council does not self insure.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component

of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

(ab) New accounting standards and UIG interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

designated at fair value through profit or loss and Council does not have any such liabilities.

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

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

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

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

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

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

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

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

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

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

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and

obligations are shared by the parties to the joint arrangement.

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

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

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

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

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

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

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

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

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

AASB 13 was released in September 2011.

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

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

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

Applicable to Local Government but no implications for Council;

None

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

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

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

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

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	3	4	-	1,910	2,461	2,797	(1,907)	(2,457)	(2,797)	-	15	10,038	12,752
Administration	3,940	598	958	7,175	3,195	8,213	(3,235)	(2,597)	(7,255)	330	6	52,000	51,837
Public Order & Safety	750	1,411	991	1,330	1,871	1,852	(580)	(460)	(861)	975	811	1,714	2,312
Health	85	77	92	380	483	416	(295)	(406)	(324)	-	-	-	-
Environment	6,436	8,476	8,165	7,690	8,617	7,717	(1,254)	(141)	448	326	344	12,904	10,538
Community Services & Education	2,230	3,774	3,173	3,330	4,032	3,553	(1,100)	(258)	(380)	2,136	1,912	4,800	4,625
Housing & Community Amenities	710	877	1,067	2,570	2,891	2,526	(1,860)	(2,014)	(1,459)	-	52	23,000	22,197
Water Supplies	10,225	13,074	15,545	8,914	10,477	8,864	1,311	2,597	6,681	1,800	5,949	199,316	138,046
Sewerage Services	14,556	15,227	14,335	13,095	14,223	13,749	1,461	1,004	586	120	122	192,053	130,233
Recreation & Culture	650	1,208	4,706	3,090	4,988	4,895	(2,440)	(3,780)	(189)	824	1,064	80,000	78,933
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	1,080	1,509	1,337	1,575	2,262	2,076	(495)	(753)	(739)	-	-	400	353
Transport & Communication	8,090	12,676	8,780	16,991	22,108	14,324	(8,901)	(9,432)	(5,544)	11,796	8,397	424,181	419,847
Economic Affairs	695	1,747	714	1,879	1,495	2,027	(1,184)	252	(1,313)	-	125	-	-
Total Functions & Activities	49,450	60,658	59,863	69,929	79,103	73,009	(20,479)	(18,445)	(13,146)	18,307	18,797	1,000,406	871,673
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	25,458	27,333	24,978	-	-	-	25,458	27,333	24,978	8,860	6,989	-	-
Operating Result from Continuing Operations	74,908	87,991	84,841	69,929	79,103	73,009	4,979	8,888	11,832	27,167	25,786	1,000,406	871,673

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

Bega Valley Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, food control, other, administration.

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, 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, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

ECONOMIC AFFAIRS

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

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,099	13,627
Farmland		1,639	1,584
Business		1,837	1,805
Total Ordinary Rates		17,575	17,016
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,832	5,665
Water Supply Services		2,534	2,495
Sewerage Services		12,141	11,770
Drainage		277	275
Waste Management Services (non-domestic)		395	437
Total Annual Charges		21,179	20,642
TOTAL RATES & ANNUAL CHARGES		38,754	37,658

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,713	5,461
Sewerage Services		1,350	1,199
Total User Charges		7,063	6,660
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,568	1,483
Private Works - Section 67		705	601
Regulatory Fees		27	34
Section 149 Certificates (EPA Act)		110	106
Section 603 Certificates		62	66
Tapping Fees		115	155
Total Fees & Charges - Statutory/Regulatory		2,587	2,445
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Cemeteries		195	274
Child Care		1,285	1,194
Committee Funds		21	40
Food Shop Inspections		72	70
Gravel Pits		537	330
Lease Rentals		323	310
Leaseback Fees - Council Vehicles		259	219
Library & Art Gallery		38	29
Planning & Building - discretionary		57	61
Refuse & Effluent Disposal		29	150
Recycling Income (Non Domestic)		401	283
Waste Disposal Tipping Fees		1,102	1,009
Other		237	8
Total Fees & Charges - Other		4,556	3,977
TOTAL USER CHARGES & FEES		14,206	13,082

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		197	224
- Interest earned on Investments (interest & coupon payment income)		2,525	2,884
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		5	4
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,727</u>	<u>3,112</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		79	224
General Council Cash & Investments		898	973
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		141	127
- Section 64		359	719
Water Fund Operations		633	568
Sewerage Fund Operations		584	470
Domestic Waste Management operations		33	31
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,727</u>	<u>3,112</u>
(d). Other Revenues			
Fines		48	37
Fines - Parking		62	40
Legal Fees Recovery - Rates & Charges (Extra Charges)		262	204
Fundraising & donations		2	2
Insurance Rebate discount		19	-
Sales - General		130	97
Other		47	25
<u>TOTAL OTHER REVENUE</u>		<u>570</u>	<u>405</u>

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	6,269	4,904	-	-
Financial Assistance - Local Roads Component	2,192	1,685	-	-
Pensioners' Rates Subsidies - General Component	399	400	-	-
Total General Purpose	8,860	6,989	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	138	145	-	-
- Sewerage	120	122	-	-
- Domestic Waste Management	86	86	-	-
Water Supplies	-	-	1,662	5,804
Bushfire & Emergency Services	565	615	410	196
Child Care	798	771	-	-
Community Care	1,592	1,126	1	-
Economic Development	-	125	-	-
Employment & Training Programs	11	6	-	-
Environmental Protection	65	91	-	-
Flood Restoration	8,254	4,450	-	-
Heritage & Cultural	5	18	-	-
Library	128	107	136	-
Noxious Weeds	174	145	-	-
Public Halls	-	-	-	37
Recreation & Culture	31	5	598	952
Street Lighting	33	33	-	-
Transport (Roads to Recovery)	-	-	658	783
Transport (Other Roads & Bridges Funding)	2,007	1,973	515	756
Waste	14	2	-	-
Wharves and Jetties	-	-	260	435
Youth	25	14	-	-
Sporting Ground	-	-	21	-
Total Specific Purpose	14,046	9,834	4,261	8,963
Total Grants	22,906	16,823	4,261	8,963
Grant Revenue is attributable to:				
- Commonwealth Funding	8,803	6,589	2,320	7,764
- State Funding	14,103	10,234	1,941	1,199
	22,906	16,823	4,261	8,963

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	293	248
S 64 - Water Supply Contributions	-	-	344	256
S 64 - Sewerage Service Contributions	-	-	279	188
Total Developer Contributions	17 -	-	916	692
Other Contributions:				
Administration	173	157	-	-
Airport	574	41	-	-
Bushfire Services	97	15	-	-
Community Services	36	37	-	-
Engineering	-	5	-	-
Library	95	89	-	-
Recreation & Culture	-	19	-	388
Sewerage (excl. Section 64 contributions)	-	25	557	363
Water Supplies (excl. Section 64 contributions)	1,182	-	-	-
Sporting Ground	4	-	-	-
Other	3	-	-	2,885
Total Other Contributions	2,164	388	557	3,636
Total Contributions	2,164	388	1,473	4,328
TOTAL GRANTS & CONTRIBUTIONS	25,070	17,211	5,734	13,291

\$ '000	Actual 2012	Actual 2011
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(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	11,204	18,876
add: Grants & contributions recognised in the current period but not yet spent:	17,432	19,013
less: Grants & contributions recognised in a previous reporting period now spent:	(14,528)	(26,685)
Net Increase (Decrease) in Restricted Assets during the Period	2,904	(7,672)
Unexpended and held as Restricted Assets	14,108	11,204

Comprising:

- Specific Purpose Unexpended Grants	4,863	3,169
- Developer Contributions	9,245	8,035
	14,108	11,204

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		19,295	17,467
Travelling		792	592
Employee Leave Entitlements (ELE)		2,888	2,209
Superannuation		2,272	2,513
Workers' Compensation Insurance		965	1,022
Fringe Benefit Tax (FBT)		17	25
Payroll Tax		251	234
Training Costs (other than Salaries & Wages)		589	432
Protective Clothing		89	81
Other		70	83
Total Employee Costs		27,228	24,658
less: Capitalised Costs		(746)	(682)
TOTAL EMPLOYEE COSTS EXPENSED		26,482	23,976
Number of "Equivalent Full Time" Employees at year end		311	298
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		330	320
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,125	2,213
Interest on Advances		9	15
Total Interest Bearing Liability Costs		2,134	2,228
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		2,134	2,228
(ii) Other Borrowing Costs			
Fair Value Adjustments on Recognition of Advances & Deferred Debtor			
- Interest Free (or favourable) Loans and Advances made by Council		13	-
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	25	51
Total Other Borrowing Costs		38	51
TOTAL BORROWING COSTS EXPENSED		2,172	2,279

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		24,193	20,942
Contractor & Consultancy Costs		656	627
- Dept Commerce/Services		646	1,116
Auditors Remuneration ⁽¹⁾		48	54
Legal Expenses:			
- Legal Expenses: Planning & Development		74	24
- Legal Expenses: Other		222	348
- Legal Expenses: Debt Recovery		240	218
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		458	463
Total Materials & Contracts		26,537	23,792
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		26,537	23,792

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	48	47
- Audit & review of financial statements: Other Consolidated Entity Auditors	-	7
Total Auditor Remuneration	48	54

2. Operating Lease Payments are attributable to:

Computers	458	463
	458	463

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,467	1,518
Office Equipment		-	-	76	67
Furniture & Fittings		-	-	-	7
Land Improvements (depreciable)		-	-	361	261
Buildings - Specialised		-	-	2,098	2,029
Other Structures		-	-	57	48
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	8,003	7,796
- Stormwater Drainage		-	-	329	325
- Water Supply Network		-	-	2,431	2,284
- Sewerage Network		-	-	3,883	3,714
Other Assets					
- Library Books		-	-	93	84
Asset Reinstatement Costs	9 & 26	-	-	41	41
Total Depreciation & Impairment Costs		-	-	18,839	18,174
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	18,839	18,174

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Advertising		109	91
Bad & Doubtful Debts		14	25
Bank Charges		105	96
Cleaning		172	145
Computer Software Charges		526	208
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		47	46
- NSW Fire Brigade Levy		65	65
- NSW Rural Fire Service Levy		497	481
Councillor Expenses - Mayoral Fee		36	35
Councillor Expenses - Councillors' Fees		156	162
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		57	41
Electricity & Heating		879	519
Fire Control Expenses		276	486
Insurance		759	754
Office Expenses (including computer expenses)		194	445
Postage		50	51
Printing & Stationery		112	121
Street Lighting		278	239
Telephone & Communications		184	217
Tourism Expenses (excluding employee costs)		272	291
Valuation Fees		97	91
Other		188	179
Total Other Expenses		5,073	4,788
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>5,073</u>	<u>4,788</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		800	2,885
less: Carrying Amount of Property Assets Sold / Written Off		(2)	(2,885)
Net Gain/(Loss) on Disposal		798	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,709	991
less: Carrying Amount of P&E Assets Sold / Written Off		(1,577)	(909)
Net Gain/(Loss) on Disposal		132	82
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>930</u>	<u>82</u>

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,463	-	908	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,280	-	1,231	-
- Short Term Deposits		49,941	-	38,128	-
Total Cash & Cash Equivalents		52,684	-	40,267	-
Investment Securities (Note 6b)					
- Long Term Deposits		1,132	-	5,272	-
Total Investment Securities		1,132	-	5,272	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		53,816	-	45,539	-

¹ Those Investments where time to maturity 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"		52,684	-	40,267	-
--	--	---------------	----------	---------------	----------

Investments

a. "Held to Maturity"	6(b-ii)	1,132	-	5,272	-
Investments		1,132	-	5,272	-

Note 6(b-i)**Reconciliation of Investments
classified as "Held to Maturity"**

Balance at the Beginning of the Year		5,272	-	12,165	-
Disposals (sales & redemptions)		(4,140)	-	(6,893)	-
Balance at End of Year		1,132	-	5,272	-

Comprising:

- Long Term Deposits		-	-	5,272	-
- Other Long Term Financial Assets		1,132	-	-	-
Total		1,132	-	5,272	-

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	53,816	-	45,539	-
attributable to:				
External Restrictions (refer below)	39,053	-	32,598	-
Internal Restrictions (refer below)	12,717	-	11,354	-
Unrestricted	2,046	-	1,587	-
	53,816	-	45,539	-

2012 \$ '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)	191	-	-	191
External Restrictions - Included in Liabilities	191	-	-	191

External Restrictions - Other

Developer Contributions - General (D)	2,262	436	(206)	2,492
Developer Contributions - Water Fund (D)	3,716	572	-	4,288
Developer Contributions - Sewer Fund (D)	2,057	408	-	2,465
Specific Purpose Unexpended Grants (F)	3,169	1,694	-	4,863
Water Supplies (G)	9,598	334	-	9,932
Sewerage Services (G)	7,474	2,069	-	9,543
Domestic Waste Management (G)	4,090	6,332	(5,184)	5,238
Tathra Beach Estate	41	-	-	41
External Restrictions - Other	32,407	11,845	(5,390)	38,862
Total External Restrictions	32,598	11,845	(5,390)	39,053

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,570	7,236	(8,665)	141
Infrastructure Replacement	660	290	-	950
Employees Leave Entitlement	1,906	176	(114)	1,968
Cemetery Improvements	89	195	(225)	59
Childcare services (excl. ELE shown above)	610	2,096	(2,059)	647
Construction of Building	89	80	(75)	94
Computer Reserve	300	-	-	300
Election Expenses	110	55	-	165
Environmental Management	168	342	(346)	164
Former Sec 355 Committees	428	188	(47)	569
Gravel Pit Operations	371	537	(419)	489
Operational Examination Contingency	216	-	(25)	191
Other Waste Management	823	1,584	(1,498)	909
Other Airport	173	1,338	(47)	1,464
Park Improvements	273	14	(4)	283
Property Development	3,214	823	(32)	4,005
Saleyards	79	11	(3)	87
Sporting Facilities	47	-	-	47
Sportsground sv Reserve	169	474	(521)	122
Other	59	14	(10)	63
Total Internal Restrictions	11,354	15,453	(14,090)	12,717
TOTAL RESTRICTIONS	43,952	27,298	(19,480)	51,770

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,847	-	2,098	-
Interest & Extra Charges		246	-	82	-
User Charges & Fees		1,317	-	1,054	-
Private Works		1,075	-	1,182	-
Accrued Revenues					
- Interest on Investments		312	-	403	-
- Other Income Accruals		1,753	-	613	-
Deferred Debtors		43	76	45	99
Government Grants & Subsidies		3,020	-	4,242	-
Net GST Receivable		567	-	301	-
Total		10,180	76	10,020	99
less: Provision for Impairment					
User Charges & Fees		(213)	-	(124)	-
Total Provision for Impairment - Receivables		(213)	-	(124)	-
<u>TOTAL NET RECEIVABLES</u>		<u>9,967</u>	<u>76</u>	<u>9,896</u>	<u>99</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		-	-	136	-
- Rates & Availability Charges		156	-	1,300	-
- Other		1,803	-	-	-
Sewerage Services					
- Specific Purpose Grants		17	-	19	-
- Rates & Availability Charges		487	-	793	-
- Other		401	-	200	2
Total External Restrictions		2,864	-	2,448	2
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		7,103	76	7,448	97
TOTAL NET RECEIVABLES		9,967	76	9,896	99

Notes on Debtors above:

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		69	-	69	-
Stores & Materials		350	-	435	-
Loose Tools		50	-	50	-
Total Inventories		469	-	554	-
Other Assets					
Prepayments		-	-	494	-
Total Other Assets		-	-	494	-
TOTAL INVENTORIES / OTHER ASSETS		469	-	1,048	-
Externally Restricted Assets					
Water					
Stores & Materials		118	-	119	-
Total Water		118	-	119	-
Sewerage					
Stores & Materials		8	-	3	-
Total Sewerage		8	-	3	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		126	-	122	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		343	-	926	-
TOTAL INVENTORIES & OTHER ASSETS		469	-	1,048	-

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	69	-	69	-
Total Real Estate for Resale	69	-	69	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	69	-	69	-
Total Costs	69	-	69	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	69	-	69	-
Movements:				
Real Estate assets at beginning of the year	69	-	69	-
Total Real Estate for Resale	69	-	69	-

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Reversal (via P/L)	WIP Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	-	17,179	-	-	17,179	7	-	-	-	(17,179)	-	-	7	-	-	7
Plant & Equipment	-	15,630	7,089	-	8,541	4,512	(1,577)	(1,467)	-	-	-	-	16,706	6,697	-	10,009
Office Equipment	-	3,042	2,763	-	279	-	-	(76)	-	-	-	-	3,042	2,839	-	203
Furniture & Fittings	-	243	242	-	1	-	-	-	-	-	-	-	243	242	-	1
Land:																
- Operational Land	-	25,857	-	-	25,857	-	-	-	-	-	-	-	25,857	-	-	25,857
- Community Land	-	65,209	-	-	65,209	-	(2)	-	-	-	-	-	65,207	-	-	65,207
Land Improvements - depreciable	-	17,431	4,358	-	13,073	1,108	-	(361)	-	-	-	-	18,539	4,719	-	13,820
Buildings - Specialised	-	74,914	40,256	-	34,658	726	-	(2,098)	-	-	-	-	75,641	42,355	-	33,286
Other Structures	-	2,095	658	-	1,437	410	-	(57)	-	-	-	-	2,506	716	-	1,790
Infrastructure:																
- Roads, Bridges, Footpaths	-	483,354	207,491	4,975	270,888	6,155	-	(8,003)	1,785	-	-	-	489,510	215,495	3,190	270,825
- Bulk Earthworks (non-depreciable)	-	130,467	-	-	130,467	-	-	-	-	-	-	-	130,467	-	-	130,467
- Stormwater Drainage	-	32,725	8,662	-	24,063	407	-	(329)	-	-	-	-	33,132	8,991	-	24,141
- Water Supply Network	-	176,692	72,471	-	104,221	3,719	-	(2,431)	-	17,179	59,119	-	279,857	98,050	-	181,807
- Sewerage Network	-	197,210	78,476	-	118,734	1,711	-	(3,883)	-	-	61,656	-	267,580	89,362	-	178,218
Other Assets:																
- Library Books	-	1,607	1,204	-	403	90	-	(93)	-	-	-	-	1,698	1,298	-	400
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Tip Asset	-	3,808	3,727	-	81	-	-	(41)	-	-	-	-	3,809	3,769	-	40
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	1,247,463	427,397	4,975	815,091	18,845	(1,579)	(18,839)	1,785	-	120,775	-	1,413,801	474,533	3,190	936,078

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$13,703) and New Assets (\$5,142).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	-	-	-	-	-	17,180	-	17,180
Plant & Equipment	-	156	35	121	-	1,355	77	1,278
Land								
- Operational Land	-	1,431	-	1,431	-	1,431	-	1,431
Buildings	-	368	189	179	-	367	176	191
Infrastructure	-	278,636	98,050	180,586	-	175,513	72,416	103,097
Total Water Supply	-	280,591	98,274	182,317	-	195,846	72,669	123,177
Sewerage Services								
Plant & Equipment	-	207	61	146	-	1,086	89	997
Land								
- Operational Land	-	722	-	722	-	722	-	722
Buildings	-	89	42	47	-	89	42	47
Infrastructure	-	267,580	89,363	178,217	-	196,350	78,431	117,919
Total Sewerage Services	-	268,598	89,466	179,132	-	198,247	78,562	119,685
Domestic Waste Management								
Plant & Equipment	-	67	26	41	-	131	26	105
Land								
- Operational Land'	-	2,096	-	2,096	-	2,096	-	2,096
- Improvements non-depreciable	-	4,781	200	4,581	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	4,301	200	4,101
Other Assets	-	3,809	3,768	41	-	3,808	3,727	81
Total DWM	-	10,753	3,994	6,759	-	10,336	3,953	6,383
TOTAL RESTRICTED I,PP&E	-	559,942	191,734	368,208	-	404,429	155,184	249,245

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,009	-	4,621	-
Payments Received In Advance		595	-	304	-
Accrued Expenses:					
- Borrowings		282	-	292	-
- Salaries & Wages		521	-	234	-
Security Bonds, Deposits & Retentions		371	-	302	-
Total Payables		5,778	-	5,753	-
Borrowings					
Loans - Secured ¹		2,312	29,126	2,343	30,437
Government Advances		10	95	10	104
Total Borrowings		2,322	29,221	2,353	30,541
Provisions					
Employee Benefits;					
Annual Leave		2,164	-	1,945	-
Long Service Leave		4,372	560	4,417	359
Other Leave		103	-	107	-
Sub Total - Aggregate Employee Benefits		6,639	560	6,469	359
Asset Remediation/Restoration (Future Works) 26		-	4,678	-	4,653
Total Provisions		6,639	5,238	6,469	5,012
Total Payables, Borrowings & Provisions		14,739	34,459	14,575	35,553
(i) Liabilities relating to Restricted Assets					
		2012		2011	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		1,128	26	952	128
Sewer		1,629	23,299	1,679	24,089
Liabilities relating to externally restricted assets		2,757	23,325	2,631	24,217
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		2,757	23,325	2,631	24,217

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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(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	4,384	4,270
	4,384	4,270

Note 10b. Description of and movements in Provisions

Class of Provision	2011	2012				
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	1,945	1,643	(1,424)	-	-	2,164
Long Service Leave	4,776	1,174	(1,018)	-	-	4,932
Other Leave	107	10	(14)	-	-	103
Asset Remediation	4,653	25	-	-	-	4,678
TOTAL	11,481	2,852	(2,456)	-	-	11,877

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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	52,684	40,267
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		52,684	40,267
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		8,888	5,673
Adjust for non cash items:			
Depreciation & Amortisation		18,839	18,174
Net Losses/(Gains) on Disposal of Assets		(930)	(82)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Interest Free Advances made by Council (Deferred Debtors)		13	-
Other Non Cash Items		-	(3,682)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		-	(4)
- Interest on all fair value adjusted Interest Free Advances made by Council		(5)	-
Unwinding of Discount Rates on Reinstatement Provisions		25	52
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(162)	(1,488)
Increase/(Decrease) in Provision for Doubtful Debts		89	(494)
Decrease/(Increase) in Inventories		85	34
Decrease/(Increase) in Other Assets		494	(494)
Increase/(Decrease) in Payables		(612)	(310)
Increase/(Decrease) in accrued Interest Payable		(10)	(12)
Increase/(Decrease) in other accrued Expenses Payable		287	187
Increase/(Decrease) in Other Liabilities		360	(81)
Increase/(Decrease) in Employee Leave Entitlements		371	37
Increase/(Decrease) in Other Provisions		-	(12)
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		27,732	17,498

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Contributed Asset		-	(2,885)
Transfer of assets/liabilities - Crown Caravan Parks		-	6,567
Total Non-Cash Investing & Financing Activities		-	3,682
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,000	1,000
Credit Cards / Purchase Cards		50	50
Total Financing Arrangements		1,050	1,050
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(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			
Water Pipeline		-	4,000
Land purchase		1,350	-
Total Commitments		1,350	4,000
These expenditures are payable as follows:			
Within the next year		1,350	4,000
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		1,350	4,000
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	-
Future Grants & Contributions		-	3,000
Sect 64 & 94 Funds/Reserves		-	1,000
Internally Restricted Reserves		1,350	-
Total Sources of Funding		1,350	4,000

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	223	684
Later than one year and not later than 5 years	267	2,958
Later than 5 years	-	801
Total Non Cancellable Operating Lease Commitments	490	4,443

b. Non Cancellable Operating Leases include the following assets:

Computer / IT Equipment

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 20112010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	22,209	2.92 : 1	2.78	2.50
Current Liabilities less Specific Purpose Liabilities ^(2,3)	7,598			
2. Debt Service Ratio				
Debt Service Cost	4,491	6.80%	7.93%	8.14%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	66,047			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	38,754	44.04%	43.95%	47.29%
Income from Continuing Operations	87,991			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,093	5.06%	5.49%	5.38%
Rates, Annual & Extra Charges Collectible	41,393			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	13,703	81.84%	82.41%	88.50%
Depreciation, Amortisation & Impairment	16,744			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(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.

Bega Valley Shire Council

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

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

<div><div>1. Unrestricted Current Ratio</div><div><div>Ratio : 1</div><div><div><div><div>2.07</div><div>2.50</div><div>2.78</div><div>2.92</div></div><div><div>2009</div><div>2010</div><div>2011</div><div>2012</div></div></div></div></div></div>	<div><div>Purpose of Unrestricted Current Ratio</div><div>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</div></div>	<div><div>2011/12 Ratio</div><div>2.92 : 1</div></div>
<div><div>2. Debt Service Ratio</div><div><div>Ratio %</div><div><div><div>8.54%</div><div>8.14%</div><div>7.93%</div><div>6.80%</div></div><div><div>2009</div><div>2010</div><div>2011</div><div>2012</div></div></div></div></div>	<div><div>Purpose of Debt Service Ratio</div><div>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</div></div>	<div><div>2011/12 Ratio</div><div>6.80%</div></div>
<div><div>3. Rates & Annual Charges Coverage Ratio</div><div><div>Ratio %</div><div><div><div>45.64%</div><div>47.29%</div><div>43.95%</div><div>44.04%</div></div><div><div>2009</div><div>2010</div><div>2011</div><div>2012</div></div></div></div></div>	<div><div>Purpose of Rates & Annual Charges Coverage Ratio</div><div>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</div></div>	<div><div>2011/12 Ratio</div><div>44.04%</div></div>
<div><div>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</div><div><div>Ratio %</div><div><div><div>3.58%</div><div>5.38%</div><div>5.49%</div><div>5.06%</div></div><div><div>2009</div><div>2010</div><div>2011</div><div>2012</div></div></div></div></div>	<div><div>Purpose of Rates & Annual Charges Outstanding Ratio</div><div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div></div>	<div><div>2011/12 Ratio</div><div>5.06%</div></div>
<div><div>5. Building & Infrastructure Renewals Ratio</div><div><div>Ratio %</div><div><div><div>100.15%</div><div>88.50%</div><div>82.41%</div><div>81.84%</div></div><div><div>2009</div><div>2010</div><div>2011</div><div>2012</div></div></div></div></div>	<div><div>Purpose of Asset Renewals Ratio</div><div>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</div></div>	<div><div>2011/12 Ratio</div><div>81.84%</div></div>

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General ¹ 2012
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	10.65 : 1	6.42 : 1	2.91 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	139.59:1	75.74:1	3.10:1
2. Debt Service Ratio			
Debt Service Cost	0.12%	15.59%	5.11%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	0.13%	16.48%	6.70%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	19.38%	79.76%	40.33%
Income from Continuing Operations			
prior period:	13.33%	82.06%	42.86%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	6.12%	3.99%	5.44%
Rates, Annual & Extra Charges Collectible			
prior period:	59.91%	6.70%	0.34%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	79.72%	29.20%	101.93%
Depreciation, Amortisation & Impairment			
prior period:	75.75%	52.14%	94.99%

Notes

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	52,684	40,267	52,684	40,267
Investments				
- "Held to Maturity"	1,132	5,272	1,132	5,272
Receivables	10,043	9,995	10,043	9,995
Total Financial Assets	63,859	55,534	63,859	55,534
Financial Liabilities				
Payables	5,183	5,449	5,183	5,449
Loans / Advances	31,543	32,894	31,543	32,894
Total Financial Liabilities	36,726	38,343	36,726	38,343

Fair Value is determined as follows:

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and 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
2012				
Possible impact of a 10% movement in Market Values	n/a	n/a	n/a	n/a
Possible impact of a 1% movement in Interest Rates	439	439	(439)	(439)
2011				
Possible impact of a 10% movement in Market Values	n/a	n/a	n/a	n/a
Possible impact of a 1% movement in Interest Rates	487	487	(487)	(487)

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	7,737	1	-
Past due by up to 30 days	867	236	985	6,087
Past due between 31 and 180 days	369	38	419	1,315
Past due between 181 and 365 days	337	398	383	619
Past due by more than 1 year	274	-	310	-
	1,847	8,409	2,098	8,021
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			124	618
+ new provisions recognised during the year			108	46
- amounts already provided for & written off this year			(19)	(540)
Balance at the end of the year			213	124

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2012									
Trade/Other Payables	371	4,812	-	-	-	-	-	5,183	5,183
Loans & Advances	-	2,322	2,137	2,175	1,843	1,701	21,365	31,543	31,543
Total Financial Liabilities	371	7,134	2,137	2,175	1,843	1,701	21,365	36,726	36,726
2011									
Trade/Other Payables	302	5,149	-	-	-	-	-	5,451	5,449
Loans & Advances	-	2,613	2,758	2,969	3,119	3,318	18,118	32,895	32,894
Total Financial Liabilities	302	7,762	2,758	2,969	3,119	3,318	18,118	38,346	38,343

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	5,183	0.0%	5,449	0.0%
Loans & Advances - Fixed Interest Rate	31,543	6.8%	32,894	6.7%
	<u>36,726</u>		<u>38,343</u>	

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 28 June 2011.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2012 Budget	2012 Actual	2012 Variance* -----		
REVENUES					
Rates & Annual Charges	39,340	38,754	(586)	(1%)	U
User Charges & Fees	13,136	14,206	1,070	8%	F
Interest & Investment Revenue	1,478	2,727	1,249	85%	F
Short term surplus funds available for investment significantly exceeded the initial estimate					
Other Revenues	5,267	570	(4,697)	(89%)	U
This included interfund amounts which are excluded from the financial statements					
Operating Grants & Contributions	11,428	25,070	13,642	119%	F
Additional reimbursement relating to Council's flood damage works sustained in March 2011; together with a 50% advance payment for the Financial Assistance grant 2012/2013 were the main contributors to this variation					
Capital Grants & Contributions	3,959	5,734	1,775	45%	F
Council received additional funds for the Yellow Pinch Pipeline project, as well as additional funds for recreation projects including the rehabilitation and reconstruction of Jetties and boat ramps.					
Net Gains from Disposal of Assets	300	930	630	210%	F
This includes the sale of a portion of land for development that was not included in the original budget					

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	21,614	26,482	(4,868)	(23%) U
The additional works required to carry out flood works contributed significantly to this increase. There was also an increase in the number of short term positions during 2011/2012.				
Borrowing Costs	2,526	2,172	354	14% F
Council did not proceed with the majority of its planned borrowings due to the delay in the planning stages of the projects.				
Materials & Contracts	27,511	26,537	974	4% F
Depreciation & Amortisation	12,914	18,839	(5,925)	(46%) U
The impact of increased depreciation related to prior year revaluations was not reflected in the original budget				
Other Expenses	5,364	5,073	291	5% F
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	18,636	27,732	9,096	48.8% F
One of the major factors in this is the increase in grant receipts				
Cash Flows from Investing Activities	(18,687)	(13,964)	4,723	(25.3%) F
This is the combined effect from lower than anticipated proceeds from sales, combined with higher than anticipated purchases				
Cash Flows from Financing Activities	712	(1,351)	(2,063)	(289.7%) U
Council did not proceed with all its planned borrowings.				

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	641	112	-	39	(206)	-	586	-	-	586	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	766	90	-	48	-	-	904	-	-	904	-
Open Space	274	21	-	17	-	-	312	-	-	312	-
Community Facilities	490	40	-	30	-	-	560	-	-	560	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	2,171	263	-	134	(206)	-	2,362	-	-	2,362	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	2,171	263	-	134	(206)	-	2,362				-
S94 not under Plans	91	30	-	7	-	-	128	-	-	128	-
S64 Contributions	5,773	623	-	359	-	-	6,755				
Total Contributions	8,035	916	-	500	(206)	-	9,245	-	-	2,490	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

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	543	73	-	32	(193)	-	455	-	-	455	-
Total	543	73	-	32	(193)	-	455	-	-	455	-

CONTRIBUTION PLAN NUMBER 4

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	
Parking	766	90	-	48	-	-	904	-	-	904	-
Total	766	90	-	48	-	-	904	-	-	904	-

CONTRIBUTION PLAN NUMBER 5

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	274	21	-	17	-	-	312	-	-	312	-
Community Facilities	490	40	-	30	-	-	560	-	-	560	-
Total	764	61	-	47	-	-	872	-	-	872	-

CONTRIBUTION PLAN NUMBER 6

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	20	15	-	1	-	-	36	-	-	36	-
Total	20	15	-	1	-	-	36	-	-	36	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 11

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	5	16	-	1	-	-	22	-	-	22	-
Total	5	16	-	1	-	-	22	-	-	22	-

CONTRIBUTION PLAN NUMBER 12

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	12	-	-	1	(13)	-	-	-	-	-	-
Total	12	-	-	1	(13)	-	-	-	-	-	-

CONTRIBUTION PLAN NUMBER 16

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	10	-	-	1	-	-	11	-	-	11	-
Total	10	-	-	1	-	-	11	-	-	11	-

CONTRIBUTION PLAN NUMBER 37

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	33	8	-	2	-	-	43	-	-	43	-
Total	33	8	-	2	-	-	43	-	-	43	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 44

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	14	-	-	1	-	-	15	-	-	15	-
Total	14	-	-	1	-	-	15	-	-	15	-

CONTRIBUTION PLAN NUMBER 56

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	4	-	-	-	-	-	4	-	-	4	-
Total	4	-	-	-	-	-	4	-	-	4	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

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	
Parking	91	30	-	7	-	-	128	-	-	128	-
Total	91	30	-	7	-	-	128	-	-	128	-

Bega Valley Shire Council

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

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(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 Councils 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.

Bega Valley Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) HIH Insurance

During the period 1995 - 1997, a portion of Council's public risk insurance cover was insured or re-insured with a member of the HIH Insurance Group of companies.

At reporting date, there are two outstanding claims relating to that period of cover.

Council being one of a number of co-defendants in both cases may have some exposure should the cases go against Council.

(iii) Potential Site Contamination

Council has received notice of potential site contamination on land that was formerly used as a gas works.

Council has contracted to a land purchase that requires vendor rehabilitation to the site to residential standard.

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) Rural Fire Fighting Assets

Council has title to & is the registered owner of various rural fire appliances & associated rural fire fighting equipment.

These assets are however under the control of the Rural Fire Services to enable that Department to provide the necessary bushfire protection defences as set out in a Service Level Agreement between the RFS and Council, and accordingly, these assets have not been recognised in these reports.

Council continues to contribute to the costs of maintenance for this equipment.

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

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		536,601	530,928
a. Correction of Prior Period Errors	20 (c)	-	-
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		8,888	5,673
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		545,489	536,601

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	405,719	284,944
Total	405,719	284,944

(ii). Reconciliation of movements in Reserves:**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance	284,944	237,266
- Revaluations for the year	9(a) 120,775	52,653
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c) -	(4,975)
- Balance at End of Year	405,719	284,944

TOTAL VALUE OF RESERVES

405,719	284,944
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(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

c. Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

d. Voluntary Changes in Accounting Policies

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	2,534	12,147	24,073
User Charges & Fees	6,284	1,407	6,515
Interest & Investment Revenue	863	713	1,151
Other Revenues	63	6	501
Grants & Contributions provided for Operating Purposes	1,320	120	23,630
Grants & Contributions provided for Capital Purposes	2,010	836	2,888
Other Income			
Net Gains from Disposal of Assets	-	-	930
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	13,074	15,229	59,688
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,600	1,134	23,748
Borrowing Costs	7	1,586	579
Materials & Contracts	6,406	7,600	12,531
Depreciation & Amortisation	2,460	3,903	12,476
Impairment	-	-	-
Other Expenses	-	-	5,073
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	2	-	(2)
Total Expenses from Continuing Operations	10,475	14,223	54,405
Operating Result from Continuing Operations	2,599	1,006	5,283
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	2,599	1,006	5,283
Net Operating Result attributable to each Council Fund	2,599	1,006	5,283
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	589	170	2,395

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

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

Bega Valley Shire Council

Notes to the Financial Statements

as at 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	14,220	12,008	26,456
Investments	-	-	1,132
Receivables	1,959	905	7,103
Inventories	118	8	343
Other	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	16,297	12,921	35,034
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	76
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	183,538	179,132	573,408
Investment Property	-	-	-
Intangible Assets	-	-	-
Other	-	-	-
Total Non-Current Assets	183,538	179,132	573,484
TOTAL ASSETS	199,835	192,053	608,518
LIABILITIES			
Current Liabilities			
Payables	857	701	4,220
Borrowings	103	792	1,427
Provisions	168	136	6,335
Total Current Liabilities	1,128	1,629	11,982
Non-Current Liabilities			
Payables	-	-	-
Borrowings	6	23,279	5,936
Provisions	20	20	5,198
Total Non-Current Liabilities	26	23,299	11,134
TOTAL LIABILITIES	1,154	24,928	23,116
Net Assets	198,681	167,125	585,402
EQUITY			
Retained Earnings	105,400	82,308	357,781
Revaluation Reserves	93,281	84,817	227,621
Total Equity	198,681	167,125	585,402

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

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

Bega Valley Shire Council

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

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

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

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

Accordingly, the "authorised for issue" date is 09/10/12.

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

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

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

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

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

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward.

Council expects to pay more for its energy usage including electricity, gas, water and fuel but will be compensated to some extent through additional rate revenue and domestic waste management charges that it proposes to raise.

The operation of Council's landfill site is expected to result in Council being liable for a carbon tax on gas emissions but it is proposed to increase tipping fees to cover this additional cost.

Council also expects construction materials such as concrete and asphalt to increase in price but is unable to quantify the effect of these increases at the present time.

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 24. Discontinued Operations

	Actual 2012	Actual 2011
\$ '000		
(i) Discontinued Operations		
Council was the appointed trustee for 3 Crown Reserve Caravan Parks. This was revoked in Govt Gazette of 10th December, 2010 and responsibility was transferred to the South Coast Crown Reserves Holiday Accommodation Trust and timing of the disposal/s.		
(ii) Financial Performance of Discontinued Operations		
Financial Performance		
Revenues	-	1,200
Expenses	-	(792)
Gross Profit/(Loss) of Discontinued Operations	-	408
Gain/(Losses) On Reclassification &/or Sale		
Consideration Received for Discontinued Operations	-	-
less:		
Loss on Reclassification to Discontinued Operations	-	(6,567)
Gain/(Loss) on Reclassification/Sale	-	(6,567)
NET PROFIT/(LOSS) from DISCONTINUED OPERATIONS	-	(6,159)
(iii) Cash Flows from Discontinued Operations		
Net Cash Flows from Operating Activities	-	408
Net Increase/(Decrease) in Cash Generated by the Operations	-	408

Note 25. Intangible Assets

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.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
		2012	2011
Council Tip 1	2014	1,295	1,270
Council Tip 2	2014	1,095	1,095
Council Tip 3	2010	2,288	2,288
Balance at End of the Reporting Period	10(a)	4,678	4,653

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	4,653	4,601
Amortisation of discount (expensed to borrowing costs)	25	52
Total - Reinstatement, rehabilitation and restoration provision	4,678	4,653

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.

Bega Valley Shire Council

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

Note 27. Council Information & Contact Details

Principal Place of Business:

Zingel Place
BEGA NSW 2550

Contact Details**Mailing Address:**

PO Box 492
BEGA NSW 2550

Opening Hours:

9.00 a.m. to 4.30 p.m. Monday to Friday

Telephone: 02 6499 2222

Facsimile: 02 6499 2200

Internet: www.begavalley.nsw.gov.au

Email: council@begavalley.nsw.gov.au

Officers**GENERAL MANAGER**

Peter Tegart

RESPONSIBLE ACCOUNTING OFFICER

Lucas Scarpin

PUBLIC OFFICER

Leanne Barnes

AUDITORS

RSM Bird Cameron Partners
GPO Box 5138
SYDNEY NSW 2001

Elected Members**MAYOR**

Councillor Bill Taylor

COUNCILLORS

Cr Tony Allen
Cr Michael Britten
Cr Russell Fitzpatrick
Cr Keith Hughes
Cr Ann Mawhinney
Cr Kristy McBain
Cr Liz Seckold
Cr Sharon Tapscott

Other Information

ABN: 26 987 935 332

Independent Auditor's Report

On the General Purpose Financial Statements

To Bega Valley Shire Council

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of Bega Valley Shire Council, which comprises the Balance Sheet as at 30 June 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, and accompanying Notes to the Financial Statements and the Statement by Council and Management. The financial statements include the consolidated financial statements of the Council and the entities it controlled at year end or from time to time during the year.

Council's Responsibility for the Financial Statements

The Council is responsible for preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and 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 controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. 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 of material misstatement. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projections disclosed in Note 17 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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

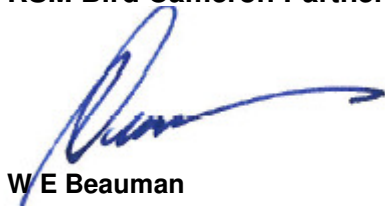
Independence

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

Auditor's Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) present fairly the Council's financial position and the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements.
- (c) we have obtained all information relevant to the conduct of our audit; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**RSM Bird Cameron Partners**

W E Beuman
Partner

30 October 2012

RSM Bird Cameron Partners

Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 9233 8933 F +61 2 9233 8521

30 October 2012

Councillor Bill Taylor
Mayor
Bega Valley Shire Council
Zingel Place
BEGA NSW 2550

Dear Councillor Taylor,

SECTION 417(3) REPORT ON THE CONDUCT OF THE 2012 AUDIT

We have completed our audit of the financial statements of Bega Valley Shire Council for the year ended 30 June 2012 in accordance with Section 415 of the Local Government Act, 1993. The financial statements include the general purpose consolidated accounts of Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at balance date. Our audit opinions on the 2012 financial statements of Council are issued without qualification.

1. COUNCIL'S RESPONSIBILITY

The Council is responsible for preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls 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.

2. AUDIT SCOPE

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free of material misstatement.

Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projections disclosed in Note 17.

Following the completion of our audit we provide the following comments to assist with the understanding of our audit and Council's financial performance and position. This report is not intended to take the place of traditional or other comprehensive reports which may be provided to Councillors by Council management. As such, it should be read in conjunction with the financial statements and financial information presented to the Council by management on an on-going basis.

3. FINANCIAL MANAGEMENT

Our audit does not involve an analysis of the prudence of business decisions made by Council or management. We are not required to review, assess or comment upon Council's:

- Integrated planning documents;
- Annual budget and quarterly reviews;
- Asset management plans etc.

The Local Government Act and Regulations require Council to prepare detailed budgets for all its operations and as part of this process to authorise all expenditure and variations from budget. The quarterly budget review is an important process for Council to ensure its financial targets are met. In order to maintain or improve Council's financial position, all decisions need to be made with due regard to their financial impact.

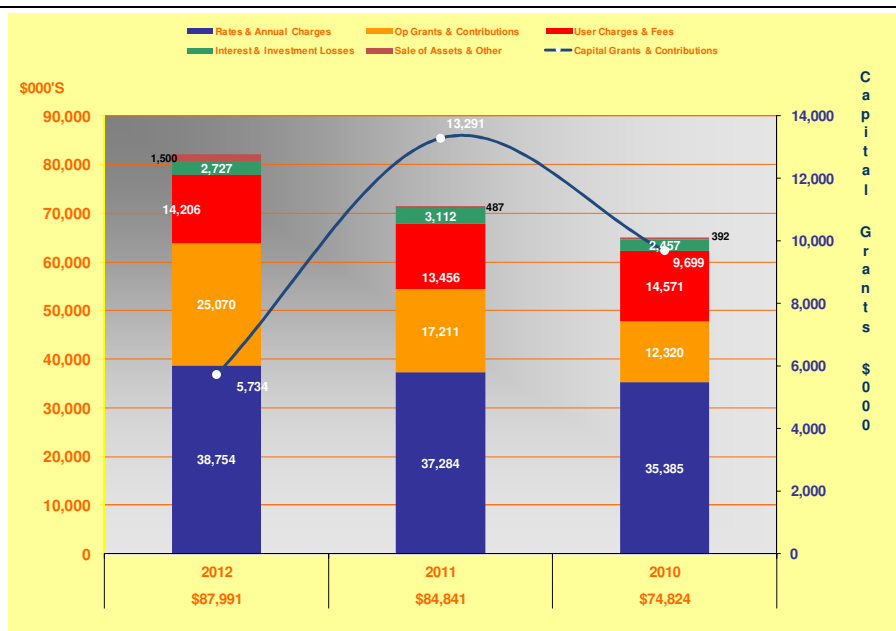
4. FINANCIAL PERFORMANCE

The consolidated profit / (loss) for the year ended 30 June 2012 from ordinary continuing operations amounted to \$8,888K (2011: \$11,832K – excl discontinued caravan park operations). The activities of Council contributed to the consolidated operating result as follows:

	2012 \$000	2011 \$000
General Fund	5,288	4,237
Water Supply	2,596	7,049
Sewer Supply	1,004	546
Operating Result from continuing Operations	\$8,888	\$11,832

4.1 ORDINARY REVENUES

Increased by \$3,150K (3.7%) to \$87,991K



i. Rates & Annual Charges increased \$1,096K (2.9%) to \$38,754K

This equates to 44% of revenues from continuing operations and compares with 44% in 2011. Ordinary rates amounted to \$17,575K and increased by 3.3%. This is consistent with the approved 2012 increase in general rates and the operational Plan. For 2013, the rate increase (Local Government Index) approved by IPART is 3.6% and Council is estimating net revenue from general rates equal to \$18,496K.

ii. Annual Charges increased by \$537K to \$21,179K

Overall this is a increase of 2.6% (2011 4.9%) and is consistent with the increases made in access and user charges for water and sewerage services in 2012 when compared with previous years.

iii. User Charges & Fees increased \$1,124K (8.6%) to \$14,206K

The most significant increases occurred in revenue from Gravel operations \$207K and Recycling income \$118K as well as reimbursement of caravan park operating costs of \$214K.

iv. Investment Revenues \$2,727K decreased by \$385K

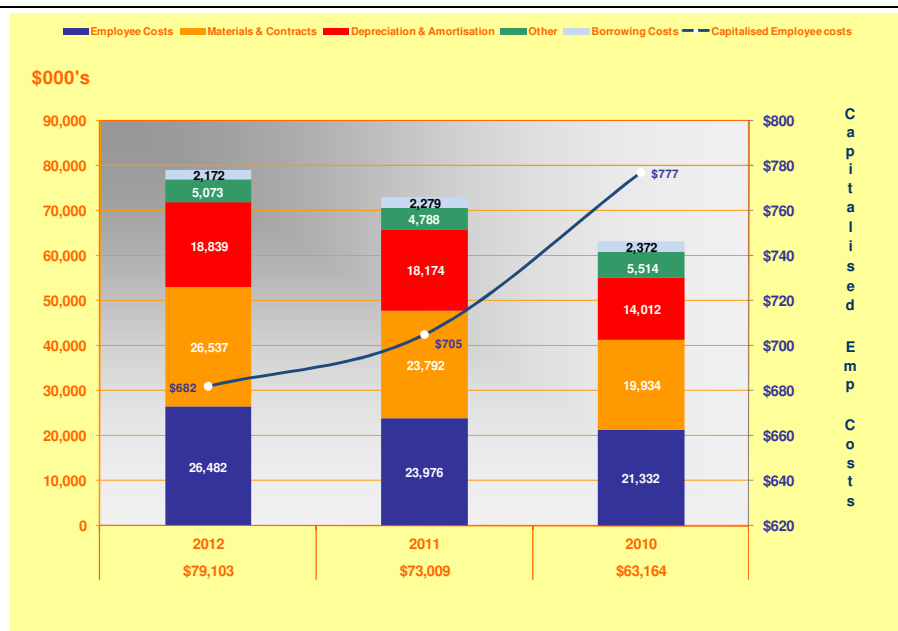
Council earned interest of \$2,525K on its investments this year a decrease of \$359K over 2011 consistent with decreasing interest rates in 2012. At year end Council holds \$52,684K or 98% (2011 - \$40,267K or 88.4%) of its investments in short term deposits, this is where amounts have less than three months to maturity.

v. Operating Grants and Contributions increased by \$7,859K to \$25,070K

This is a significant class of revenue equal to 28.5% of total income (2011 – 20.3%). The increase arises due to additional flood restoration funding received for damage to Council's infrastructure assets occurring in the 2011 & 2012 floods of \$3804K as well as an additional instalment of the Financial Assistance Grant ('FAG') being paid in advance by the Australian Government. Consequently, the total amount of 2013 FAG revenues received in advance and recognised as income amounts to \$3,452K. This funding is held as a restriction over the Cash & Investments balance at the reporting date. The balance of grants and contributions received and recognised as income and remaining unspent at year end increased by \$2,904K to \$14,108K (2011 decrease \$(7,672)K).

4.2 EXPENSES FROM CONTINUING OPERATIONS

Increased by \$6,094K (8.3%) to \$79,103K



i. Employee Costs before amounts capitalised increased \$2,570K (10.4%) to \$27,228K

Employee costs are equal to 43.9% of total expenses before depreciation and amortisation and compares with 43.7% in 2011. Award increases as well as an increase in the number of short term employee positions contributed to the increase in this expense.

ii. Depreciation & Amortisation expense increased \$665K to \$18,839K

Depreciation expense is a significant cost to Council representing 24% (2011 25%) of total ordinary expenses although, this does not involve any outflow of cash. This is expected to increase further in 2013 following the revaluation of Water and Sewerage infrastructure assets at the reporting date.

iii. Materials & Contract costs increased \$2,745K to \$26,537K

This year includes additional expenses associated with rectification works carried out on the Yellow Pinch pipeline project where Council was also successful in a claim for reimbursement of these costs amounting to \$1,182K.

4.3 CAPITAL INCOME

There was a decrease in Capital Grants & Contributions of \$(7,557)K to \$5,734K. This is as a result of decreased funding in respect of the Yellowpinch pipeline project as well as 2011 including \$2,885K for the fair value of land dedications made to Council.

Developer contributions increased by \$224K to \$916K and amounts were received as follows:

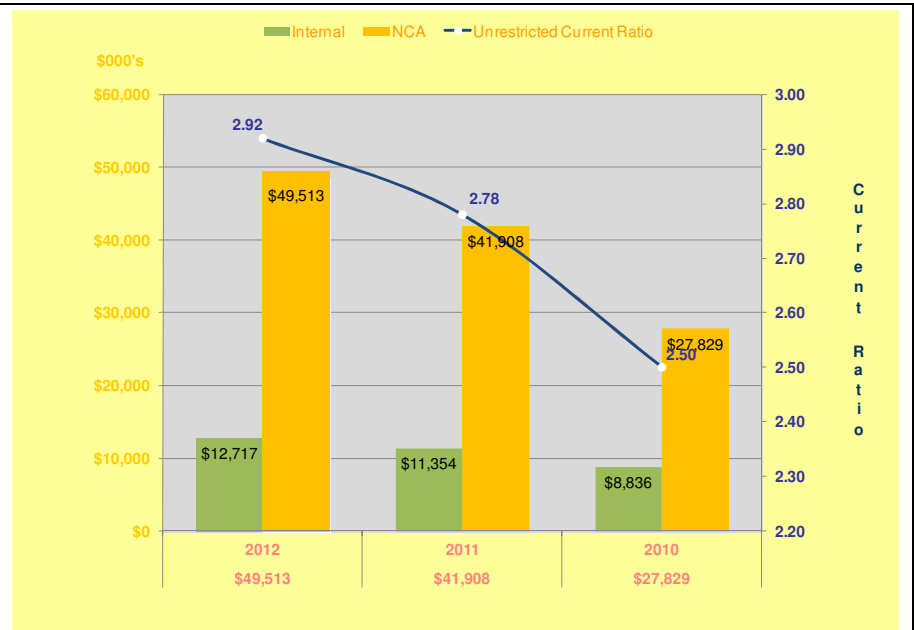
	2012 \$000	2011 \$000
Section 94 contributions	293	248
Section 64 water supply contributions	344	256
Section 64 sewer supply contributions	279	188
Total	\$916	\$692

The use of these contributions is restricted for specific purposes and they are not available to meet Council's general operations. At year end Council has restricted assets of \$2,492K relating to S.94 contributions and \$6,753K for unspent S.64 contributions, a net increase of \$1,210K from 2011.

5. PERFORMANCE INDICATORS

5.1 Net Current Assets:

This indicator discloses the working capital available to Council to fund day to day operations including the financing of permanent debtors and stores and to provide a buffer against unforeseen and unbudgeted expenditures. This should be considered together with the level of internal restrictions.



At 30 June 2012 Council's net current assets amounted to \$49,513K and its unrestricted current ratio is equal to 2.92, this compares with a ratio of 2.78 in 2011. Whilst, this ratio indicates that Council has sufficient liquid resources to be able to meet its existing current obligations we stress the importance of considering this ratio together with other key financial indicators.

5.2 CASH AND INVESTMENTS

- (a) Council's cash and investment balances increased by \$8,277K to \$53,816K. Cash from operating activities amounted to \$27,732K, and was used to fund \$20,630K in acquisitions of infrastructure, property, plant and equipment and repay \$1,351K in net borrowings. The composition of cash and cash equivalents held by Council at year end is as follows:

	2012 \$000	2011 \$000
Cash	1,463	908
Deposits at call	1,280	1,231
Short term deposits (< 3 month maturity dates)	49,941	38,128
Long term deposits (> 3 month maturity dates)	1,132	5,272
Total	53,816	\$45,539

- (b) Cash and investments are held for the following purposes:

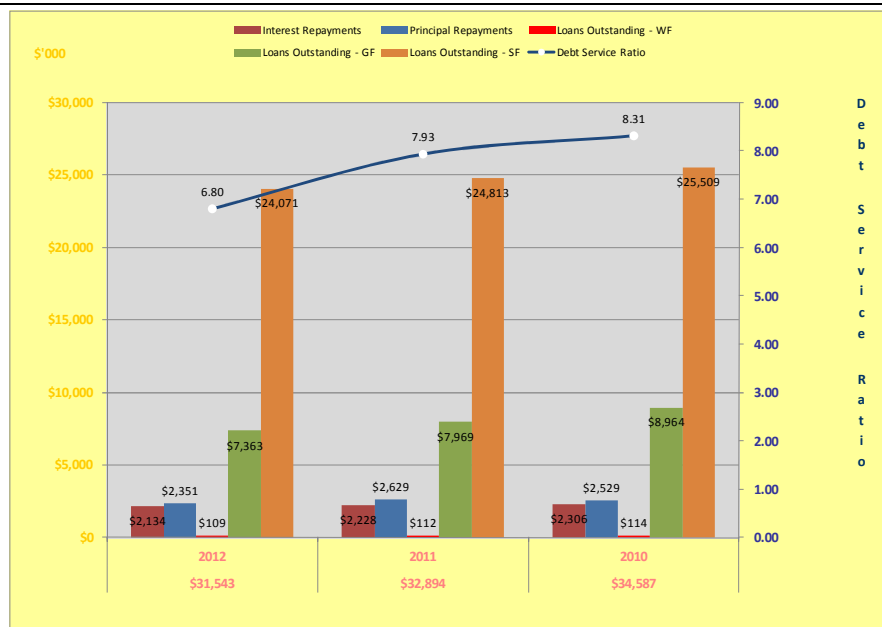
	2012 \$000	2011 \$000
Externally Restricted	39,053	32,598
Internally Restricted	12,717	11,354
Unrestricted	2,046	1,587
Total	\$53,816	\$45,539

- (c) External restrictions include the internal reserves in the Water and Sewer funds which amount to \$9,932K and \$9,543K respectively. Consequently, the Water and Sewer supply operations of Council account for \$26,228K or 67% (2011 – 70%) of all externally restricted cash and investment balances.
- (d) Internally restricted cash increased \$1,363K to \$12,717K. Internal restrictions result from resolution or policy of Council and reflect identified programs of works and forward plans and represent the ‘reserves’ of Council. Significant internal restrictions over cash assets are held in respect of:
- i. **Property development – \$4,005K:** this includes a net increase in this reserve of \$791K this year from the sale of a property. These funds are set aside by Council for strategic community projects such as redevelopment of Littleton Gardens, Bega Town hall, etc.
 - ii. **Employee leave entitlements – \$1,968K:** Council’s provision for its liability for employee leave entitlements and associated on-costs amounted to \$7,199K. This cash reserve provides liquidity equal to 27% (2011 - 28%) of the total liability and provides a sufficient buffer to enable Council to meet unbudgeted and unanticipated terminations;
 - iii. **Airport Reserve – \$1,464K:** – increased by \$1,291K and is for funding future capital works associated with renewal works of the airport tarmac.
 - iv. **Waste management – \$909K:** – increased by \$86K and is for funding future capital works associated with the Central Waste Facility.
 - v. **Plant replacement – \$141K:** decreased by \$(1,429)K and was used to fund major items of new plant for flood remediation works;

**BEGA VALLEY SHIRE COUNCIL
2012 SECTION 417(3) AUDIT REPORT**

5.3 Debt Service: - 6.80% (2011 – 7.93%)

This ratio is an indicator of the cost of meeting loan and interest payments as a percentage of operating revenues.



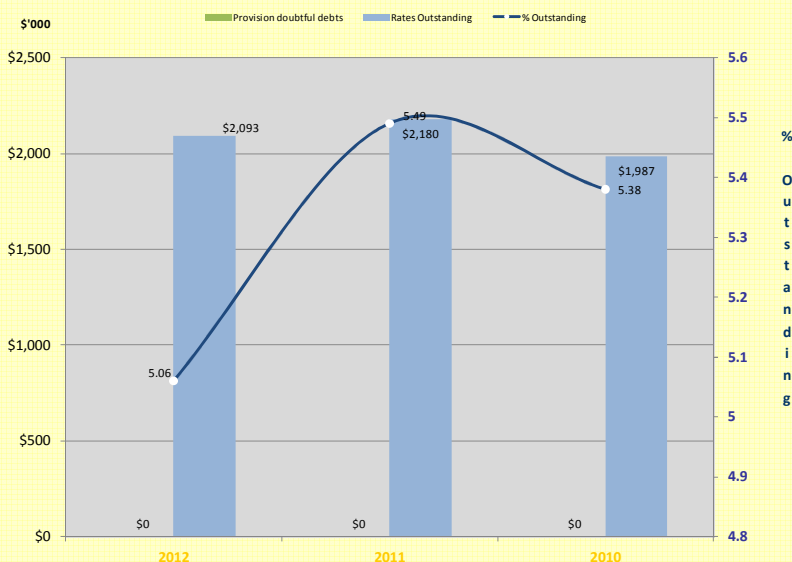
At year end Council has outstanding borrowings of \$31,543K after a net repayment of borrowings of \$1,351K in 2012. There are loans raised and unexpended at year-end of \$191K which is unchanged from 2011.

There is no definitive consensus of what constitutes an acceptable ratio as this is generally influenced by the level of infrastructure works. Generally this ratio is usually higher where Council utilises borrowings to finance infrastructure projects. Outstanding loans are associated with the Water operations - \$109K and Sewer operations - \$24,071K of Council with the balance of \$7,363K relating to general operations.

Council has estimated net new borrowings of \$1,500K in 2013 with a proposed additional amount of \$5,500K approved under the Local Infrastructure Renewal Scheme. The drawdown & ultimate use of these funds will be subject to Council resolution.

5.4 Rates & Annual Charges Outstanding: - 5.06% (2011 5.49%)

This ratio is an indicator of the adequacy of Council's revenue collection and debt management policies.



This indicator has continued to improve over recent years and reflects the decision to outsource the task of recovering outstanding rates and annual charges. Council will likely meet its target of 5% in the coming year.

6. REVALUATION OF ASSETS

In July 2006 NSW councils were required to commence valuing infrastructure assets at fair value using a staged approach. The revaluation of assets should be undertaken every five years unless there is a material change to carrying values beforehand. Valuations of the following asset classes will need to be completed in as follows:

Asset Class	Due
Water and Sewerage assets	30 June 2012
Property, plant and equipment, operational land and buildings	30 June 2013
Roads, bridges, footpaths, drainage, bulk earth works	30 June 2015
Community land, other assets and land improvements	30 June 2016

This year, Water and Sewerage network infrastructure assets were revalued using the services of NSW Public Works. The revaluation process resulted in a net increase to equity of \$120,775K. Further details of the revaluation are provided in Note 9 to the Financial Statements.

7. CONCLUSION

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that Bega Valley Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements.

We would like to thank Council's general manager and staff for their cooperation and courteous assistance provided to us in the performance of our audit visit to Council's office. A memorandum dealing with less significant matters arising from our audit will be forwarded to the General Manager in due course.

Yours faithfully



RSM Bird Cameron Partners



W E Beauman
Partner

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



"Your place, Our place, Great place"

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	n/a
- Balance Sheet of Water Supply Business Activity	5
- Balance Sheet of Sewerage Business Activity	6
- Balance Sheet of Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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).

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- 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 09 October 2012.



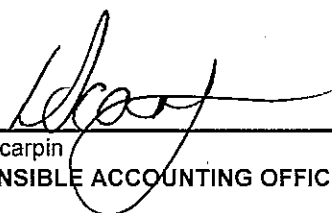
Councillor Bill Taylor
MAYOR



Councillor
COUNCILLOR



Peter Tegart
GENERAL MANAGER



Lucas Scarpin
RESPONSIBLE ACCOUNTING OFFICER

Bega Valley Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	2,534	2,121	2,426
User charges	6,152	5,835	6,082
Fees	132	194	147
Interest	863	1,175	908
Grants and contributions provided for non capital purposes	1,320	145	138
Profit from the sale of assets	-	-	-
Other income	63	387	64
Total income from continuing operations	11,064	9,857	9,765
Expenses from continuing operations			
Employee benefits and on-costs	1,600	1,686	1,398
Borrowing costs	7	7	7
Materials and contracts	6,406	4,859	4,248
Depreciation and impairment	2,460	2,312	2,191
Water purchase charges	-	-	-
Loss on sale of assets	2	1	6
Calculated taxation equivalents	3	3	3
Debt guarantee fee (if applicable)	-	-	-
Other expenses	-	-	-
Total expenses from continuing operations	10,478	8,868	7,853
Surplus (deficit) from Continuing Operations before capital amounts	586	989	1,912
Grants and contributions provided for capital purposes	2,010	6,060	3,821
Surplus (deficit) from Continuing Operations after capital amounts	2,596	7,049	5,733
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	2,596	7,049	5,733
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(176)	(297)	(574)
SURPLUS (DEFICIT) AFTER TAX	2,420	6,752	5,159
plus Opening Retained Profits	102,804	95,755	90,022
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	3	3	3
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	176	297	574
less:			
- Tax Equivalent Dividend paid	(3)	(3)	(3)
- Surplus dividend paid	-	-	-
Closing Retained Profits	105,400	102,804	95,755
Return on Capital %	0.3%	0.8%	1.8%
Subsidy from Council	4,968	5,286	3,428
Calculation of dividend payable:			
Surplus (deficit) after tax	2,420	6,752	5,159
less: Capital grants and contributions (excluding developer contributions)	(1,662)	(5,804)	(2,875)
Surplus for dividend calculation purposes	758	948	2,284
Potential Dividend calculated from surplus	379	474	1,142

Bega Valley Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	12,147	11,769	11,563
User charges	1,379	1,199	1,209
Liquid Trade Waste charges	-	-	-
Fees	28	87	78
Interest	713	582	417
Grants and contributions provided for non capital purposes	120	122	121
Profit from the sale of assets	-	-	-
Other income	6	7	5
Total income from continuing operations	14,393	13,766	13,393
Expenses from continuing operations			
Employee benefits and on-costs	1,134	1,260	959
Borrowing costs	1,586	1,633	1,679
Materials and contracts	7,600	7,168	6,883
Depreciation and impairment	3,903	3,733	3,573
Loss on sale of assets	-	-	6
Calculated taxation equivalents	2	2	2
Debt guarantee fee (if applicable)	-	-	-
Other expenses	-	-	-
Total expenses from continuing operations	14,225	13,796	13,102
Surplus (deficit) from Continuing Operations before capital amounts	168	(30)	291
Grants and contributions provided for capital purposes	836	576	660
Surplus (deficit) from Continuing Operations after capital amounts	1,004	546	951
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,004	546	951
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(50)	-	(87)
SURPLUS (DEFICIT) AFTER TAX	954	546	864
plus Opening Retained Profits	81,304	80,758	79,807
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	2	2	2
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	50	-	87
less:			
- Tax Equivalent Dividend paid	(2)	(2)	(2)
- Surplus dividend paid	-	-	-
Closing Retained Profits	82,308	81,304	80,758
Return on Capital %	1.0%	1.3%	1.7%
Subsidy from Council	3,674	4,501	3,953
Calculation of dividend payable:			
Surplus (deficit) after tax	954	546	864
less: Capital grants and contributions (excluding developer contributions)	(557)	(388)	-
Surplus for dividend calculation purposes	397	158	864
Potential Dividend calculated from surplus	198	79	432

Bega Valley Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	14,220	13,314
Investments	-	-
Receivables	1,959	1,436
Inventories	118	119
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	16,297	14,869
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	183,538	123,177
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	183,538	123,177
TOTAL ASSETS	199,835	138,046
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	857	808
Interest bearing liabilities	103	2
Provisions	168	142
Total Current Liabilities	1,128	952
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	6	110
Provisions	20	18
Total Non-Current Liabilities	26	128
TOTAL LIABILITIES	1,154	1,080
NET ASSETS	198,681	136,966
EQUITY		
Retained earnings	105,400	102,804
Revaluation reserves	93,281	34,162
Council equity interest	198,681	136,966
Minority equity interest	-	-
TOTAL EQUITY	198,681	136,966

Bega Valley Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	12,008	9,531
Investments	-	-
Receivables	905	1,012
Inventories	8	3
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,921	10,546
Non-Current Assets		
Investments	-	-
Receivables	-	2
Inventories	-	-
Infrastructure, property, plant and equipment	179,132	119,685
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	179,132	119,687
TOTAL ASSETS	192,053	130,233
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	701	825
Interest bearing liabilities	792	742
Provisions	136	112
Total Current Liabilities	1,629	1,679
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	23,279	24,071
Provisions	20	18
Total Non-Current Liabilities	23,299	24,089
TOTAL LIABILITIES	24,928	25,768
NET ASSETS	167,125	104,465
EQUITY		
Retained earnings	82,308	81,304
Revaluation reserves	84,817	23,161
Council equity interest	167,125	104,465
Minority equity interest	-	-
TOTAL EQUITY	167,125	104,465

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

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

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

a. Water Supply

Comprising the operations and net assets of Council's water supply activities that services the Bega Valley Shire.

b. Sewerage Services

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities that services the Bega Valley Shire.

Category 2

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

Nil

Monetary Amounts

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

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either **(i)** 50% of this surplus in any one year, or **(ii)** the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

Bega Valley Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2012

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	3,000
(ii)	No of assessments multiplied by \$3/assessment	43,311
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	3,000
(iv)	Amounts actually paid for Tax Equivalents	3,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	379,100
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	430,110
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	3,990,900

2012 Surplus	758,200	2011 Surplus	948,300	2010 Surplus	2,284,400
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	379,100
(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]	
(iii)	Sound Water Conservation and Demand Management implemented	NO
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Bega Valley Shire Council

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

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

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

2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	10,566
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)]	%	66.23%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	182,196
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,873
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	4,939
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.13%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	1,662

- 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.

Bega Valley Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2012

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	2,000
(ii)	No of assessments multiplied by \$3/assessment	38,331
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	2,000
(iv)	Amounts actually paid for Tax Equivalents	2,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	198,300
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	381,310
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	1,418,300

2012 Surplus	396,600	2011 Surplus	158,000	2010 Surplus	863,700
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	198,300
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	NO
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	14,576
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	177,877
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	8,513
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,711
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)]	%	1.21%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	25,138
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.03%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	6,650
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)]	%	0.66%
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%

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2012

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-0.56%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
NWI F23	Interest Cover (Water & Sewerage)		25
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		2,393
	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:		95
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	1,933
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	258
	Grants for Pensioner Rebates (w11b + s12b)		

- 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.

Independent Auditor's Report On the Special Purpose Financial Statements To Bega Valley Shire Council

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of Bega Valley Shire Council, which comprises the Balance Sheets as at 30 June 2012, Income Statements of Business Activities for the year ended on that date, a summary of significant accounting policies and the Statement by Councillors and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for 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 financial reporting requirements of the Council and the Division of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of 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 of material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly, we express no opinion on them.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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

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

Independence

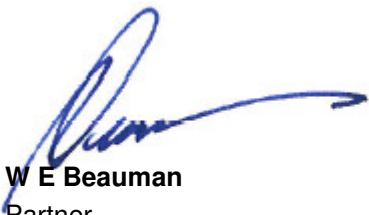
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion the Special Purpose Financial Statements of the Bega Valley Shire Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1, the accounting requirements of the Local Government Act 1993 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.

**RSM Bird Cameron Partners**

W E Beauman
Partner

30 October 2012

Bega Valley Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2012



"Your place, Our place, Great place"

Bega Valley Shire Council

Special Schedules

for the financial year ended 30 June 2012

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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.

Bega Valley Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	2,461	4	-	(2,457)
Administration	3,195	598	-	(2,597)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,199	662	409	(128)
Beach Control	156	-	-	(156)
Enforcement of Local Govt. Regulations	79	278	-	199
Animal Control	437	62	-	(375)
Other	-	-	-	-
Total Public Order & Safety	1,871	1,002	409	(460)
Health	483	77	-	(406)
Environment				
Noxious Plants and Insect/Vermin Control	671	184	-	(487)
Other Environmental Protection	652	84	-	(568)
Solid Waste Management	6,192	7,874	-	1,682
Street Cleaning	523	-	-	(523)
Drainage	-	-	-	-
Stormwater Management	579	334	-	(245)
Total Environment	8,617	8,476	-	(141)
Community Services and Education				
Administration & Education	1,084	978	-	(106)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	819	783	-	(36)
Children's Services	2,129	2,013	-	(116)
Total Community Services & Education	4,032	3,774	-	(258)
Housing and Community Amenities				
Public Cemeteries	225	216	-	(9)
Public Conveniences	845	-	-	(845)
Street Lighting	278	33	-	(245)
Town Planning	1,543	628	-	(915)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	2,891	877	-	(2,014)
Water Supplies	10,477	11,412	1,662	2,597
Sewerage Services	14,223	15,227	-	1,004

Bega Valley Shire Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,300	186	134	(980)
Museums	33	-	-	(33)
Art Galleries	219	115	-	(104)
Community Centres and Halls	437	40	-	(397)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	677	11	26	(640)
Swimming Pools	1,001	-	-	(1,001)
Parks & Gardens (Lakes)	1,321	60	636	(625)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	4,988	412	796	(3,780)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,913	973	-	(940)
Other Mining, Manufacturing & Construction	349	536	-	187
Total Mining, Manufacturing and Const.	2,262	1,509	-	(753)
Transport and Communication				
Urban Roads (UR) - Local	3,568	28	28	(3,512)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,406	-	935	(1,471)
Sealed Rural Roads (SRR) - Regional	2,465	1,949	357	(159)
Unsealed Rural Roads (URR) - Local	2,931	-	-	(2,931)
Unsealed Rural Roads (URR) - Regional	444	-	-	(444)
Bridges on UR - Local	55	-	-	(55)
Bridges on SRR - Local	1,291	-	-	(1,291)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	1,053	-	-	(1,053)
Parking Areas	108	-	176	68
Footpaths	957	-	-	(957)
Aerodromes	142	31	575	464
Other Transport & Communication	6,688	7,801	796	1,909
Total Transport and Communication	22,108	9,809	2,867	(9,432)
Economic Affairs				
Camping Areas & Caravan Parks	222	214	-	(8)
Other Economic Affairs	1,273	1,533	-	260
Total Economic Affairs	1,495	1,747	-	252
Totals – Functions	79,103	54,924	5,734	(18,445)
General Purpose Revenues⁽²⁾		27,333		27,333
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	79,103	82,257	5,734	8,888

(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)

Bega Valley Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	2,341	30,352	32,693	1,000	2,351	-	6	2,134	2,322	29,020	31,342
Other	2	84	86	-	-	-	-	-	-	86	86
Total Loans	2,343	30,436	32,779	1,000	2,351	-	6	2,134	2,322	29,106	31,428
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	10	105	115	-	-	-	-	-	-	115	115
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	10	105	115	-	-	-	-	-	-	115	115
Total Debt	2,353	30,541	32,894	1,000	2,351	-	6	2,134	2,322	29,221	31,543

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).

Bega Valley Shire Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,436	1,757
b. Engineering and Supervision	1,159	1,376
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	205	406
b. Maintenance expenses	237	137
- Mains		
c. Operation expenses	859	478
d. Maintenance expenses	2,148	833
- Reservoirs		
e. Operation expenses	114	173
f. Maintenance expenses	123	141
- Pumping Stations		
g. Operation expenses (excluding energy costs)	73	256
h. Energy costs	449	337
i. Maintenance expenses	222	139
- Treatment		
j. Operation expenses (excluding chemical costs)	669	407
k. Chemical costs	20	18
l. Maintenance expenses	159	89
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	2,430	2,285
b. Plant and equipment	29	27
4. Miscellaneous expenses		
a. Interest expenses	7	7
b. Revaluation Decrements	-	-
c. Other expenses	135	-
d. Tax Equivalents Dividends (actually paid)	3	3
5. Total expenses	10,477	8,869

Bega Valley Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	2,166	2,189
b. Usage charges	4,248	4,209
7. Non-residential charges		
a. Access (including rates)	368	680
b. Usage charges	1,858	1,626
8. Extra charges	16	49
9. Interest income	847	1,126
10. Other income	242	209
11. Grants		
a. Grants for acquisition of assets	1,662	5,804
b. Grants for pensioner rebates	138	145
c. Other grants	-	-
12. Contributions		
a. Developer charges	348	256
b. Developer provided assets	-	-
c. Other contributions	1,182	-
13. Total income	13,075	16,293
14. Gain (or loss) on disposal of assets	(2)	(1)
15. Operating Result	2,596	7,423
15a. Operating Result (less grants for acquisition of assets)	934	1,619

Bega Valley Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	14,083
b. New Assets for Growth	2,803	1,253
c. Renewals	1,924	1,464
d. Plant and equipment	212	816
17. Repayment of debt		
a. Loans	3	3
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	3	3
19. Totals	4,945	17,622
Non-operating funds employed		
20. Proceeds from disposal of assets	-	32
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	32
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	12,405	12,469
b. Residential (unoccupied, ie. vacant lot)	1,039	1,065
c. Non-residential (occupied)	959	870
d. Non-residential (unoccupied, ie. vacant lot)	34	34
25. Number of ETs for which developer charges were received	36 ET	33 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 138,323	\$ 144,564

Bega Valley Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b + 27c + 27d + 28b)			<input type="text" value="-"/>
<p>* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.</p> <p>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.</p>			

Bega Valley Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	4,288	-	4,288
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	97	-	97
f. Other	9,835	-	9,835
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	156	-	156
c. Other (including User Charges)	1,803	-	1,803
32. Inventories	118	-	118
33. Property, plant and equipment			
a. System assets	-	183,417	183,417
b. Plant and equipment	-	121	121
34. Other assets	-	-	-
35. Total assets	16,297	183,538	199,835
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	857	-	857
38. Borrowings			
a. Loans	103	6	109
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	168	20	188
40. Total liabilities	1,128	26	1,154
41. NET ASSETS COMMITTED	15,169	183,512	198,681
EQUITY			
42. Accumulated surplus			105,400
43. Asset revaluation reserve			93,281
44. TOTAL EQUITY			198,681
Note to system assets:			
45. Current replacement cost of system assets			280,246
46. Accumulated current cost depreciation of system assets			(98,050)
47. Written down current cost of system assets			182,196

Bega Valley Shire Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,704	2,236
b. Engineering and Supervision	1,085	1,188
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	535	260
b. Maintenance expenses	148	639
- Pumping Stations		
c. Operation expenses (excluding energy costs)	572	413
d. Energy costs	221	109
e. Maintenance expenses	675	426
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	3,372	2,955
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	201	200
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	3,883	3,715
b. Plant and equipment	21	19
4. Miscellaneous expenses		
a. Interest expenses	1,586	1,633
b. Revaluation Decrements	-	-
c. Other expenses	216	-
d. Tax Equivalents Dividends (actually paid)	2	2
5. Total expenses	14,221	13,795

Bega Valley Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	10,920	10,873
7. Non-residential charges		
a. Access (including rates)	1,226	908
b. Usage charges	1,332	1,199
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	62	61
10. Interest income	651	521
11. Other income	79	113
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	120	121
c. Other grants	-	-
13. Contributions		
a. Developer charges	279	188
b. Developer provided assets	-	-
c. Other contributions	558	363
14. Total income	15,227	14,347
15. Gain (or loss) on disposal of assets	(2)	-
16. Operating Result	1,004	552
16a. Operating Result (less grants for acquisition of assets)	1,004	552

Bega Valley Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	576	2,432
c. Renewals	923	1,467
d. Plant and equipment	212	470
18. Repayment of debt		
a. Loans	742	696
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	3	3
20. Totals	2,456	5,068
Non-operating funds employed		
21. Proceeds from disposal of assets	-	32
22. Borrowing utilised		
a. Loans	-	237
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	269
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,951	10,928
b. Residential (unoccupied, ie. vacant lot)	1,060	1,086
c. Non-residential (occupied)	741	734
d. Non-residential (unoccupied, ie. vacant lot)	25	31
26. Number of ETs for which developer charges were received	36 ET	31 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 120,446	\$ 121,517

Bega Valley Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2012

\$'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"/> Yes	<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"/>			
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"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
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.

Bega Valley Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,465	-	2,465
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	193	-	193
f. Other	9,350	-	9,350
32. Receivables			
a. Specific purpose grants	17	-	17
b. Rates and Availability Charges	487	-	487
c. Other (including User Charges)	401	-	401
33. Inventories	8	-	8
34. Property, plant and equipment			
a. System assets	-	177,877	177,877
b. Plant and equipment	-	1,255	1,255
35. Other assets	-	-	-
36. Total Assets	12,921	179,132	192,053
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	701	-	701
39. Borrowings			
a. Loans	792	23,279	24,071
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	136	20	156
41. Total Liabilities	1,629	23,299	24,928
42. NET ASSETS COMMITTED	11,292	155,833	167,125
EQUITY			
42. Accumulated surplus			82,308
44. Asset revaluation reserve			84,817
45. TOTAL EQUITY			167,125
Note to system assets:			
46. Current replacement cost of system assets			266,693
47. Accumulated current cost depreciation of system assets			(88,816)
48. Written down current cost of system assets			177,877

Bega Valley Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>							
Buildings	Council Offices	1.00%	258		9,054	5,323	3,731	4	3,410	225	176
	Council Works Depot	1.00%	97		3,405	2,278	1,127	4	2,195	110	193
	Council Halls	1.00%	940		35,631	21,158	14,473	4	2,090	140	50
	Building Misc	1.00%	109		3,163	1,449	1,714	4	1,965	135	16
	Amenities/Toilets	2.00%	150		5,423	2,876	2,547	4	670	720	310
	Sports Complex	2.00%	544		18,745	9,051	9,694	4	1,205	185	190
	sub total		2,098	-	75,421	42,135	33,286		11,535	1,515	935
Other Structures											
	Assets not included in Buildings		57		2,505	715	1,790	4	included ab		
	sub total		57	-	2,505	715	1,790		-	-	-
Public Roads											
	Sealed Roads	1.00%	4,254		301,328	117,771	183,557	3	16,375	2,400	6,834
	Unsealed Roads	1.00%	394		66,628	5,961	60,667	3	14,525	1,600	2,051
	Bridges	1.50%	1,811		165,515	57,913	107,602	3	3,300	600	367
	Footpaths / Kerb & Gutter	2.00%	854		65,336	23,034	42,302	3	1,855	150	150
	Car Parks/Ancillary	2.00%	566		15,870	8,839	7,031	3	620	100	49
	Airport	20.00%	77		2,926	1,627	1,299	3			
	Boat ramp/Jetties	2.00%	47		2,373	350	2,023	4	1,400	100	61
	sub total		8,003	-	619,976	215,495	404,481		38,075	4,950	9,512

		Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category										
Water		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>							
	Treatment Plants	2.00%	170		2,966	1,977	989	2	108	425	160
	Reservoirs	1.00%	580		63,687	18,989	44,698	2	265	310	200
	Dams	1.00%	365		43,779	13,224	30,555	2	50	180	37
	Pipeline	1.50%	1,071		149,106	49,191	99,915	3	3,200	585	2,147
	Pump Station	2.50%	245		20,285	14,635	5,650	3	1,080	320	222
	sub total		2,431	-	279,823	98,016	181,807		4,703	1,820	2,766
Sewerage											
	Pump Stations	2.00%	851		49,545	17,717	31,828	3	2,680	690	675
	Pipeline	1.50%	1,532		114,980	37,932	77,048	3	4,840	955	148
	Treatment Works	2.50%	1,500		102,509	33,167	69,342	3	2,160	2,670	200
	sub total		3,883	-	267,034	88,816	178,218		9,680	4,315	1,023

		Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category										
Drainage Works		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>							
	Stormwater Drainage	1.00%	329		33,132	8,991	24,141	3	2,780	500	300
	sub total		329	-	33,132	8,991	24,141		2,780	500	300
	TOTAL - ALL ASSETS		16,801	-	1,277,891	454,168	823,723		66,773	13,100	14,536

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

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

Bega Valley Shire Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	87,991	70,871	72,112	72,818	73,958
Expenses from continuing operations	79,103	69,397	68,775	68,476	68,083
Operating Result from Continuing Operations	8,888	1,474	3,337	4,342	5,875
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	5,142	10,166	8,902	3,936	1,915
Replacement/Refurbishment of Existing Assets	13,703	9,751	15,487	15,548	15,610
Total Capital Budget	18,845	19,917	24,389	19,484	17,525
Funded by:					
– Loans	1,000	1,500	5,000	3,471	-
– Asset sales	1,579	-	330	330	880
– Reserves	9,186	5,659	3,862	50	50
– Grants/Contributions	4,818	4,690	5,241	5,294	5,347
– Recurrent revenue	2,262	8,068	9,956	10,339	11,248
– Other	-	-	-	-	-
	18,845	19,917	24,389	19,484	17,525

Notes:

(1) From 11/12 Income Statement.

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

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

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.