

Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Bega Valley Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for 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 detailed in Paragraph 8 of the LGA and includes giving Council;

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

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

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

(iv) These financial statements were authorised for issue by the Council on 31 October 2014. Council has the power to amend and reissue these financial statements.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 2014.

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 Office 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. The Income Statement

Summarises 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. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The 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 commentary on 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 Office of Local Government.

Bega Valley Shire Council

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

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

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

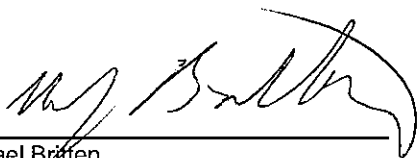
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

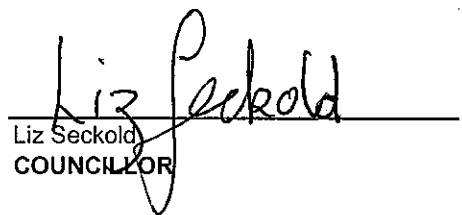
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 01 October 2014.



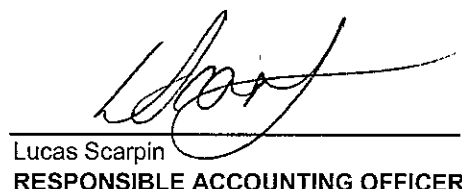
Michael Britten
MAYOR



Liz Seckold
COUNCILLOR



Leanne Barnes
GENERAL MANAGER



Lucas Scarpin
RESPONSIBLE ACCOUNTING OFFICER

Bega Valley Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014 \$ '000		Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
44,593	Rates & Annual Charges	3a	43,310	41,281
12,658	User Charges & Fees	3b	14,213	12,111
1,430	Interest & Investment Revenue	3c	2,318	2,665
1,130	Other Revenues	3d	739	644
14,217	Grants & Contributions provided for Operating Purposes	3e,f	11,026 ²	23,289
4,115	Grants & Contributions provided for Capital Purposes	3e,f	4,550	3,627
Other Income:				
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
78,143	Total Income from Continuing Operations		76,156	83,617
Expenses from Continuing Operations				
26,744	Employee Benefits & On-Costs	4a	27,491	25,426
2,051	Borrowing Costs	4b	2,125	2,034
19,154	Materials & Contracts	4c	18,923	26,283
15,588	Depreciation & Amortisation	4d	23,296	23,237
-	Impairment	4d	-	-
6,000	Other Expenses	4e	6,122	6,062
-	Net Losses from the Disposal of Assets	5	150	64
69,537	Total Expenses from Continuing Operations		78,107	83,106
8,606	Operating Result from Continuing Operations		(1,951)	511
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
8,606	Net Operating Result for the Year		(1,951)	511
8,606	Net Operating Result attributable to Council		(1,951)	511
-	Net Operating Result attributable to Non-controlling Interests		-	-
4,491	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(6,501)	(3,116)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Bega Valley Shire Council

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

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(1,951)	511
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	10,143	35,822
Total Items which will not be reclassified subsequently to the Operating Result		10,143	35,822
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		10,143	35,822
Total Comprehensive Income for the Year		8,192	36,333
Total Comprehensive Income attributable to Council		8,192	36,333
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Bega Valley Shire Council

Statement of Financial Position
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	27,347	42,400
Investments	6b	26,000	17,000
Receivables	7	5,401	6,358
Inventories	8	770	591
Other	8	15	537
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		59,533	66,886
Non-Current Assets			
Investments	6b	-	-
Receivables	7	45	61
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	988,737	972,419
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		988,782	972,480
TOTAL ASSETS		1,048,315	1,039,366
LIABILITIES			
Current Liabilities			
Payables	10	5,483	6,705
Borrowings	10	3,006	2,453
Provisions	10	7,131	6,961
Total Current Liabilities		15,620	16,119
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	32,760	30,767
Provisions	10	4,202	4,939
Total Non-Current Liabilities		36,962	35,706
TOTAL LIABILITIES		52,582	51,825
Net Assets		995,733	987,541
EQUITY			
Retained Earnings	20	544,049	546,000
Revaluation Reserves	20	451,684	441,541
Council Equity Interest		995,733	987,541
Non-controlling Interests		-	-
Total Equity		995,733	987,541

Bega Valley Shire Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		546,000	441,541	987,541	-	987,541
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		546,000	441,541	987,541	-	987,541
c. Net Operating Result for the Year		(1,951)	-	(1,951)	-	(1,951)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	10,143	10,143	-	10,143
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	10,143	10,143	-	10,143
Total Comprehensive Income (c&d)		(1,951)	10,143	8,192	-	8,192
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		544,049	451,684	995,733	-	995,733

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		545,489	405,719	951,208	-	951,208
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		545,489	405,719	951,208	-	951,208
c. Net Operating Result for the Year		511	-	511	-	511
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	35,822	35,822	-	35,822
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	35,822	35,822	-	35,822
Total Comprehensive Income (c&d)		511	35,822	36,333	-	36,333
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		546,000	441,541	987,541	-	987,541

Bega Valley Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
44,520	Rates & Annual Charges		43,322	41,392
19,444	User Charges & Fees		15,903	11,965
1,422	Investment & Interest Revenue Received		2,371	2,765
17,957	Grants & Contributions		16,040	30,819
-	Bonds, Deposits & Retention amounts received		-	767
1,354	Other		4,909	6,044
Payments:				
(20,711)	Employee Benefits & On-Costs		(30,377)	(25,249)
(34,109)	Materials & Contracts		(22,199)	(32,367)
(2,047)	Borrowing Costs		(2,093)	(2,044)
-	Bonds, Deposits & Retention amounts refunded		(119)	-
(3,797)	Other		(6,751)	(6,391)
24,033	Net Cash provided (or used in) Operating Activities	11b	21,006	27,701
Cash Flows from Investing Activities				
Receipts:				
2,125	Sale of Infrastructure, Property, Plant & Equipment		1,216	1,174
-	Deferred Debtors Receipts		16	21
Payments:				
-	Purchase of Investment Securities		(9,000)	1,132
(34,849)	Purchase of Infrastructure, Property, Plant & Equipment		(30,837)	(24,994)
-	Deferred Debtors & Advances Made		-	5
(32,724)	Net Cash provided (or used in) Investing Activities		(38,605)	(22,662)
Cash Flows from Financing Activities				
Receipts:				
5,000	Proceeds from Borrowings & Advances		5,000	4,000
Payments:				
(2,591)	Repayment of Borrowings & Advances		(2,454)	(2,323)
2,409	Net Cash Flow provided (used in) Financing Activities		2,546	1,677
(6,282)	Net Increase/(Decrease) in Cash & Cash Equivalents		(15,053)	6,716
53,816	plus: Cash & Cash Equivalents - beginning of year	11a	42,400	35,684
47,534	Cash & Cash Equivalents - end of the year	11a	27,347	42,400
Additional Information:				
	plus: Investments on hand - end of year	6b	26,000	17,000
	Total Cash, Cash Equivalents & Investments		53,347	59,400

Please refer to Note 11 for information on the following:

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

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

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

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

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

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

(iv) Early adoption of Accounting Standards

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

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

rateable property or, where earlier, upon receipt of the rates.

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

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

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of Consolidation

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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:

Total income from continuing operations	\$102,000
Total expenditure from continuing operations	\$36,000
Total net assets held (ie Equity)	\$729,000

Note:

Where actual figures are not known, best estimates have been applied.

(ii) The Trust Fund

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

purposes of or in accordance with the trusts relating to those monies.

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

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

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

(iii) Joint Ventures

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

(iv) Associated Entities

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

(v) County Councils

Council is not a member of any County Councils.

(d) Leases

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

Finance Leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and Other Financial Assets

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

- **financial assets at fair value through profit or loss**,

- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

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

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

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

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

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

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

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

(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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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.

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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.

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

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

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

Acquisition of assets

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

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

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.

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

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

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

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

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

Capitalisation Thresholds

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

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

Plant & Equipment	
Office Furniture	> \$10,000
Office Equipment	> \$10,000
Other Plant & Equipment	> \$10,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$10,000

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

Other Structures	> \$10,000
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Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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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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

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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 to 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.

(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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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 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 Council 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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

(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.

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

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

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.

(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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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 wholly settled within the 12 months after the reporting period.

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 748,113.

The amount of additional contributions included in the total employer contribution advised above is \$351,400.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of 1,405,515 as at 30 June 2014.

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

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

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

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 30/6/14.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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 interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

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

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

Applicable to Local Government but no implications for Council;

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

Financial Assets (effective for 30 June 2015 Financial Statements)

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

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

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

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

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

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

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

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

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

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

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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

Not applicable to Local Government per se;

None

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

(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.

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	9	2,201	1,712	1,320	(2,201)	(1,712)	(1,311)	-	-	-	2,130
Administration	317	737	702	5,712	3,927	8,185	(5,395)	(3,190)	(7,483)	136	59	75,491	67,969
Public Order & Safety	1,001	987	1,082	1,719	2,016	1,916	(718)	(1,029)	(834)	716	709	1,111	1,727
Health	87	84	118	210	356	209	(123)	(272)	(91)	-	38	-	-
Environment	9,091	9,752	8,824	8,870	9,586	9,263	221	166	(439)	453	227	39,043	24,088
Community Services & Education	3,596	3,878	3,711	4,039	4,936	4,559	(443)	(1,058)	(848)	3,063	2,903	1,736	4,134
Housing & Community Amenities	875	914	927	5,056	5,080	2,954	(4,181)	(4,166)	(2,027)	79	409	15,910	29,545
Water Supplies	10,091	10,674	9,165	9,532	11,498	11,540	559	(824)	(2,375)	151	302	205,488	200,151
Sewerage Services	17,199	17,032	15,475	15,254	17,214	16,619	1,945	(182)	(1,144)	126	124	198,003	193,970
Recreation & Culture	832	1,442	1,402	3,325	6,323	4,939	(2,493)	(4,881)	(3,537)	567	696	102,595	97,833
Mining, Manufacturing & Construction	1,258	1,253	1,157	1,110	1,242	1,034	148	11	123	-	-	236	84
Transport & Communication	11,121	4,689	13,834	11,369	12,630	19,498	(248)	(7,941)	(5,664)	3,793	13,150	408,702	417,735
Economic Affairs	385	455	646	940	1,587	1,070	(555)	(1,132)	(424)	103	61	-	-
Total Functions & Activities	55,853	51,897	57,052	69,337	78,107	83,106	(13,484)	(26,210)	(26,054)	9,187	18,678	1,048,315	1,039,366
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	22,290	24,259	26,565	200	-	-	22,090	24,259	26,565	3,654	6,886	-	-
Operating Result from Continuing Operations	78,143	76,156	83,617	69,537	78,107	83,106	8,606	(1,951)	511	12,841	25,564	1,048,315	1,039,366

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 2014

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, 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, other sanitation and garbage, public cemeteries, public conveniences,

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, RMS works, other.

ECONOMIC AFFAIRS

Tourism and area promotion, industrial development promotion, saleyards, real estate development, other business undertakings.

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		15,800	14,894
Farmland		1,798	1,718
Business		2,088	1,966
Total Ordinary Rates		19,686	18,578
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		6,382	6,081
Stormwater Management Services		281	280
Water Supply Services		2,762	2,665
Sewerage Services		13,513	13,024
Waste Management Services (non-domestic)		686	653
Total Annual Charges		23,624	22,703
TOTAL RATES & ANNUAL CHARGES		43,310	41,281

Council has used 2012 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		6,235	5,085
Sewerage Services		1,336	1,238
Total User Charges		7,571	6,323
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,404	1,411
Private Works - Section 67		332	577
Regulatory Fees		113	69
Section 149 Certificates (EPA Act)		137	112
Section 603 Certificates		84	62
Tapping Fees		206	140
Total Fees & Charges - Statutory/Regulatory		2,276	2,371
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Cemeteries		314	214
Child Care		760	738
Committee Funds		10	4
Community Centres		116	113
Food Shop Inspections		75	76
Gravel Pits		117	200
Lease Rentals		299	270
Leaseback Fees - Council Vehicles		281	265
Library & Art Gallery		25	16
Planning & Building - discretionary		197	43
Refuse & Effluent Disposal		24	21
Recycling Income (Non Domestic)		107	98
Sundry Sales		9	71
Swimming Centres		616	65
Waste Disposal Tipping Fees		1,406	1,217
Other		10	6
Total Fees & Charges - Other		4,366	3,417
TOTAL USER CHARGES & FEES		14,213	12,111

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		164	205
- Interest earned on Investments (interest & coupon payment income)		1,961	2,356
- Interest & Dividend Income (Other)		188	99
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		5	5
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,318</u>	<u>2,665</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		65	205
General Council Cash & Investments		854	896
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		76	115
- Section 64		266	310
Water Fund Operations		447	511
Sewerage Fund Operations		588	600
Domestic Waste Management operations		22	28
Total Interest & Investment Revenue Recognised		<u>2,318</u>	<u>2,665</u>
(d) Other Revenues			
Fines		60	85
Legal Fees Recovery - Rates & Charges (Extra Charges)		271	322
Legal Fees Recovery - Other		3	15
Commissions & Agency Fees		11	-
Diesel Rebate		139	-
Fundraising & Donations		5	-
Insurance Claim Recoveries		88	133
Sales - General		162	84
Other		-	5
<u>TOTAL OTHER REVENUE</u>		<u>739</u>	<u>644</u>

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,393	4,809	-	-
Financial Assistance - Local Roads Component	903	1,725	-	-
Pensioners' Rates Subsidies - General Component	358	352	-	-
Total General Purpose	3,654	6,886	-	-

¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	144	142	-	-
- Sewerage	126	124	-	-
- Domestic Waste Management	157	153	-	-
Water Supplies	-	90	-	70
Bushfire & Emergency Services	517	560	156	216
Child Care	1,577	1,432	-	-
Community Care	1,440	1,426	-	-
Economic Development	103	60	-	-
Employment & Training Programs	44	-	-	-
Environmental Protection	299	55	-	-
Flood Restoration	-	8,929	-	-
Heritage & Cultural	33	31	-	-
Library	108	117	200	-
Noxious Weeds	147	126	-	-
Recreation & Culture	10	16	150	300
Sporting Ground	71	347	-	-
Street Lighting	34	34	-	-
Transport (Roads to Recovery)	-	-	753	1,244
Transport (Other Roads & Bridges Funding)	2,112	2,162	912	852
Waste	-	17	-	-
Wharves and Jetties	3	8	13	-
Planning	36	97	-	-
Regulatory	42	32	-	-
Health	-	38	-	-
Total Specific Purpose	7,003	15,996	2,184	2,682
Total Grants	10,657	22,882	2,184	2,682

Grant Revenue is attributable to:

- Commonwealth Funding	4,434	10,392	954	1,314
- State Funding	6,233	13,060	1,230	798
- Other Funding	(10)	(570)	-	570
	10,657	22,882	2,184	2,682

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	308	239
S 64 - Water Supply Contributions	-	-	700	242
S 64 - Sewerage Service Contributions	-	-	1,216	246
Total Developer Contributions	17	-	2,224	727
Other Contributions:				
Administration	74	124	-	-
Airport	48	46	-	-
Bushfire Services	80	115	-	-
Community Services	60	63	-	-
Library	19	39	-	5
LIRS Subsidy	80	-	-	-
Paving	-	-	(1)	-
Recreation & Culture	-	3	-	10
Roads & Bridges	-	-	45	102
Sewerage (excl. Section 64 contributions)	-	-	98	94
Sporting Ground	-	-	-	7
Tourism	2	6	-	-
Other	6	11	-	-
Total Other Contributions	369	407	142	218
Total Contributions	369	407	2,366	945
TOTAL GRANTS & CONTRIBUTIONS	11,026	23,289	4,550	3,627

\$ '000	Actual 2014	Actual 2013
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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	9,539	10,656
add: Grants & contributions recognised in the current period but not yet spent:	8,187	2,232
less: Grants & contributions recognised in a previous reporting period now spent:	(6,705)	(3,349)

Net Increase (Decrease) in Restricted Assets during the Period **1,482** **(1,117)**

Unexpended and held as Restricted Assets **11,021** **9,539**

Comprising:

- Specific Purpose Unexpended Grants	1,053	1,470
- Developer Contributions	9,968	8,069
	11,021	9,539

Bega Valley Shire Council

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

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		20,688	18,267
Travelling		265	276
Employee Leave Entitlements (ELE)		3,270	3,310
Superannuation		2,582	2,376
Workers' Compensation Insurance		640	904
Fringe Benefit Tax (FBT)		49	17
Payroll Tax		265	259
Training Costs (other than Salaries & Wages)		776	580
Protective Clothing		68	13
Other		170	133
Total Employee Costs		28,773	26,135
less: Capitalised Costs		(1,282)	(709)
TOTAL EMPLOYEE COSTS EXPENSED		27,491	25,426
Number of "Equivalent Full Time" Employees at year end		366	347
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,118	2,026
Interest on Advances		7	8
Total Interest Bearing Liability Costs Expensed		2,125	2,034
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		2,125	2,034
(c) Materials & Contracts			
Raw Materials & Consumables		14,631	21,600
Contractor & Consultancy Costs		3,284	3,532
Auditors Remuneration ⁽¹⁾		54	61
Legal Expenses:			
- Legal Expenses: Planning & Development		32	26
- Legal Expenses: Debt Recovery		291	339
- Legal Expenses: Other		289	245
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		342	480
TOTAL MATERIALS & CONTRACTS		18,923	26,283

Bega Valley Shire Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
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		53	58
- Audit & review of financial statements: Other Consolidated Entity Auditors		1	3
Remuneration for audit and other assurance services		54	61
Total Auditor Remuneration		54	61
2. Operating Lease Payments are attributable to:			
Computers		342	480
		342	480

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,637	1,768
Office Equipment		-	-	55	73
Furniture & Fittings		-	-	-	1
Land Improvements (depreciable)		-	-	85	324
Buildings - Specialised		-	-	911	2,115
Other Structures		-	-	79	72
Infrastructure:					
- Roads		-	-	6,261	7,956
- Bridges		-	-	1,903	-
- Footpaths		-	-	157	-
- Stormwater Drainage		-	-	339	331
- Water Supply Network		-	-	4,199	4,046
- Sewerage Network		-	-	6,764	6,438
- Swimming Pools		-	-	145	-
- Other Open Space/Recreational Assets		-	-	675	-
Other Assets					
- Library Books		-	-	86	73
Asset Reinstatement Costs	9 & 26	-	-	-	40
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,296	23,237

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		167	137
Bad & Doubtful Debts		7	24
Bank Charges		128	126
Cleaning		166	186
Computer Software Charges		340	460
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		51	54
- NSW Fire Brigade Levy		66	64
- NSW Rural Fire Service Levy		480	475
Councillor Expenses - Mayoral Fee		37	37
Councillor Expenses - Councillors' Fees		188	179
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		49	68
Donations, Contributions & Assistance to other organisations (Section 356)		324	202
Electricity & Heating		1,323	1,296
Fire Control Expenses		445	466
Insurance		790	774
Office Expenses (including computer expenses)		140	154
Postage		93	75
Printing & Stationery		229	209
Street Lighting		289	306
Subscriptions & Publications		31	111
Telephone & Communications		285	292
Tourism Expenses (excluding employee costs)		383	263
Valuation Fees		111	104
<u>TOTAL OTHER EXPENSES</u>		<u>6,122</u>	<u>6,062</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		200	-
less: Carrying Amount of Property Assets Sold / Written Off		(200)	-
Net Gain/(Loss) on Disposal		-	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,016	1,174
less: Carrying Amount of P&E Assets Sold / Written Off		(1,166)	(1,238)
Net Gain/(Loss) on Disposal		(150)	(64)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(150)</u>	<u>(64)</u>

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,347	-	400	-
Cash-Equivalent Assets ¹					
- Deposits at Call		-	-	4,000	-
- Short Term Deposits		25,000	-	38,000	-
Total Cash & Cash Equivalents		27,347	-	42,400	-
Investments (Note 6b)					
- Term Deposits		26,000	-	17,000	-
Total Investments		26,000	-	17,000	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		53,347	-	59,400	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		27,347	-	42,400	-
---	--	---------------	----------	---------------	----------

Investments

b. "Held to Maturity"	6(b-ii)	26,000	-	17,000	-
Investments		26,000	-	17,000	-

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

Nil					
Balance at the Beginning of the Year		17,000	-	1,132	-
Additions		9,000	-	17,000	-
Disposals (sales & redemptions)		-	-	(1,132)	-
Balance at End of Year		26,000	-	17,000	-

Comprising:

- Other Long Term Financial Assets		26,000	-	20,000	-
Total		26,000	-	20,000	-

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

Bega Valley Shire Council

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

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	53,347	-	59,400	-
attributable to:				
External Restrictions (refer below)	41,524	-	39,234	-
Internal Restrictions (refer below)	10,264	-	18,197	-
Unrestricted	1,559	-	1,969	-
	53,347	-	59,400	-

2014 \$ '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	1,860	-	2,051
External Restrictions - Included in Liabilities	191	1,860	-	2,051

External Restrictions - Other

Developer Contributions - General (D)	1,896	385	(667)	1,614
Developer Contributions - Water Fund (D)	4,228	871	-	5,099
Developer Contributions - Sewer Fund (D)	1,945	1,310	-	3,255
Specific Purpose Unexpended Grants (F)	1,470	-	(417)	1,053
Water Supplies (G)	10,411	1,286	-	11,697
Sewerage Services (G)	12,850	-	(905)	11,945
Domestic Waste Management (G)	6,202	-	(1,433)	4,769
Tathra Beach Estate	41	-	-	41
External Restrictions - Other	39,043	3,852	(3,422)	39,473
Total External Restrictions	39,234	5,712	(3,422)	41,524

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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,481	-	(926)	555
Infrastructure Replacement	1,064	-	(905)	159
Employees Leave Entitlement	2,023	100	(8)	2,115
Carry Over Works	782	-	(356)	426
Cemetery Improvements	29	-	(29)	-
Childcare services (excl. ELE shown above)	594	147	-	741
Construction of Building	64	-	(64)	-
Computer Reserve	377	-	-	377
Election Expenses	38	55	-	93
Environmental Management	206	367	(424)	149
Former Sec 355 Committees	601	279	(159)	721
Gravel Pit Operations	415	-	(131)	284
Operational Examination Contingency	191	-	(60)	131
Other Waste Management	664	-	(321)	343
Other Airport	541	976	(1,507)	10
Park Improvements	583	-	(306)	277
Property Development	3,974	200	(1,103)	3,071
Saleyards	82	-	(51)	31
Sporting Facilities	222	-	(26)	196
Sportsground sv Reserve	356	509	(509)	356
FAG funds paid in advance	3,454	-	(3,454)	-
Workforce strategy (cadets & trainees)	283	341	(624)	-
Energy Efficiency Fund	125	42	-	167
Brighter Futures Vehicle Reserve	30	-	-	30
Other	18	14	-	32
Total Internal Restrictions	18,197	3,030	(10,963)	10,264
TOTAL RESTRICTIONS	57,431	8,742	(14,385)	51,788

Bega Valley Shire Council

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

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,724	-	1,736	-
Interest & Extra Charges		167	-	203	-
User Charges & Fees		786	-	1,195	-
Private Works		1,185	-	1,429	-
Accrued Revenues					
- Interest on Investments		228	-	250	-
Government Grants & Subsidies		1,009	-	1,473	-
Deferred Debtors		42	45	37	61
Net GST Receivable		504	-	271	-
Total		5,645	45	6,594	61
less: Provision for Impairment					
User Charges & Fees		(244)	-	(236)	-
Total Provision for Impairment - Receivables		(244)	-	(236)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,401</u>	<u>45</u>	<u>6,358</u>	<u>61</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		79	-	94	-
- Other		692	-	1,030	-
Sewerage Services					
- Specific Purpose Grants		-	-	18	-
- Rates & Availability Charges		340	-	379	-
- Other		194	-	271	-
Total External Restrictions		1,305	-	1,792	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,096	45	4,566	61
TOTAL NET RECEIVABLES		5,401	45	6,358	61

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Bega Valley Shire Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		69	-	69	-
Stores & Materials		651	-	468	-
Trading Stock		-	-	4	-
Loose Tools		50	-	50	-
Total Inventories		770	-	591	-
Other Assets					
Prepayments		15	-	537	-
Total Other Assets		15	-	537	-
TOTAL INVENTORIES / OTHER ASSETS		785	-	1,128	-
Externally Restricted Assets					
Water					
Stores & Materials		145	-	144	-
Total Water		145	-	144	-
Sewerage					
Stores & Materials		10	-	9	-
Total Sewerage		10	-	9	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		155	-	153	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		630	-	975	-
TOTAL INVENTORIES & OTHER ASSETS		785	-	1,128	-

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

Bega Valley Shire Council

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

Note 8. Inventories & Other Assets (continued)

\$ '000	2014		2013	
	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	-
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	-

(b) Inventory Write Downs

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

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	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	-	6,915	-	-	6,915	1,354	-	-	(6,915)	-	-	1,354	-	-	1,354
Plant & Equipment	-	16,724	7,913	-	8,811	3,560	(1,166)	(1,637)	-	-	-	18,233	8,665	-	9,568
Office Equipment	-	3,042	2,912	-	130	-	-	(55)	-	-	-	3,042	2,967	-	75
Furniture & Fittings	-	243	243	-	-	-	-	-	-	-	-	243	243	-	-
Land:															
- Operational Land	-	28,808	-	-	28,808	-	(200)	-	-	-	-	28,608	-	-	28,608
- Community Land	-	66,563	-	-	66,563	397	-	-	-	-	-	66,960	-	-	66,960
Land Improvements - depreciable	-	4,854	203	-	4,651	1,645	-	(85)	868	-	-	7,367	288	-	7,079
Buildings - Specialised	-	47,329	9,575	-	37,754	2,408	-	(911)	211	-	-	49,948	10,486	-	39,462
Other Structures	-	1,138	220	-	918	1,335	-	(79)	164	-	-	2,637	299	-	2,338
Infrastructure:															
- Roads	-	316,717	160,272	-	156,445	7,379	-	(6,261)	5,672	-	-	329,768	166,533	-	163,235
- Bridges	-	169,097	60,130	-	108,967	1,434	-	(1,903)	-	-	-	170,531	62,033	-	108,498
- Footpaths	-	9,373	3,050	-	6,323	70	-	(157)	-	-	-	9,444	3,208	-	6,236
- Bulk Earthworks (non-depreciable)	-	130,734	-	-	130,734	-	-	-	-	-	-	130,734	-	-	130,734
- Stormwater Drainage	-	33,411	9,322	-	24,089	484	-	(339)	-	-	-	33,895	9,661	-	24,234
- Water Supply Network	-	288,695	104,515	-	184,180	2,623	-	(4,199)	-	5,157	-	299,402	111,641	-	187,761
- Sewerage Network	-	275,574	97,474	-	178,100	5,653	-	(6,764)	-	4,986	-	288,942	106,967	-	181,975
- Swimming Pools	-	7,543	432	-	7,111	235	-	(145)	-	-	-	7,778	577	-	7,201
- Other Open Space/Recreational Assets	-	28,713	7,199	-	21,514	2,173	-	(675)	-	-	-	30,887	7,875	-	23,012
Other Assets:															
- Library Books	-	1,776	1,370	-	406	87	-	(86)	-	-	-	1,863	1,456	-	407
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):															
- Tip Assets	-	3,809	3,809	-	-	-	-	-	-	-	-	3,809	3,809	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	1,441,058	468,639	-	972,419	30,837	(1,366)	(23,296)	-	10,143	-	1,485,445	496,708	-	988,737

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$13,119) and New Assets (\$17,720).

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	62	48	14	-	120	57	63
Infrastructure	-	299,403	111,641	187,762	-	288,695	104,515	184,180
Total Water Supply	-	299,465	111,689	187,776	-	288,815	104,572	184,243
Sewerage Services								
Plant & Equipment	-	999	715	284	-	1,058	660	398
Infrastructure	-	288,942	106,967	181,975	-	275,574	97,473	178,101
Total Sewerage Services	-	289,941	107,682	182,259	-	276,632	98,133	178,499
Domestic Waste Management								
Land								
- Operational Land	-	2,685	-	2,685	-	2,685	-	2,685
- Improvements non-depreciable	-	-	-	-	-	4,781	200	4,581
- Improvements - depreciable	-	7,295	283	7,012	-	-	-	-
Other Assets	-	3,808	3,808	-	-	3,808	3,808	-
Total DWM	-	13,788	4,091	9,697	-	11,274	4,008	7,266
TOTAL RESTRICTED I,PP&E	-	603,194	223,462	379,732	-	576,721	206,713	370,008

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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,292	-	4,432	-
Payments Received In Advance		577	-	539	-
Accrued Expenses:					
- Borrowings		304	-	272	-
- Salaries & Wages		585	-	675	-
Security Bonds, Deposits & Retentions		1,019	-	1,138	-
ATO - Net GST Payable		(294)	-	(351)	-
Total Payables		5,483	-	6,705	-
Borrowings					
Loans - Secured ¹		3,006	32,760	2,453	30,767
Total Borrowings		3,006	32,760	2,453	30,767
Provisions					
Employee Benefits;					
Annual Leave		2,268	-	2,247	-
Long Service Leave		4,744	185	4,609	261
Other Leave		119	-	105	-
Sub Total - Aggregate Employee Benefits		7,131	185	6,961	261
Asset Remediation/Restoration (Future Works)	26	-	4,017	-	4,678
Total Provisions		7,131	4,202	6,961	4,939
Total Payables, Borrowings & Provisions		15,620	36,962	16,119	35,706
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		1,292	1	520	7
Sewer		2,083	21,538	1,832	22,628
Liabilities relating to externally restricted assets		3,375	21,539	2,352	22,635
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		3,375	21,539	2,352	22,635
Total Liabilities relating to Unrestricted Assets		12,245	15,423	13,767	13,071
TOTAL PAYABLES, BORROWINGS & PROVISIONS		15,620	36,962	16,119	35,706

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 2014

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

	Actual 2014	Actual 2013
\$ '000		

(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	3,700	3,500
	3,700	3,500

Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasureme-- nt effects due to Discounting	Unused amounts reversed	
Annual Leave	2,247	21	-	-	-	2,268
Long Service Leave	4,870	59	-	-	-	4,929
Other Leave (enter deta	105	14	-	-	-	119
Asset Remediation	4,678	(661)	-	-	-	4,017
TOTAL	11,900	(567)	-	-	-	11,333

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	27,347	42,400
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		27,347	42,400

**(b) Reconciliation of Net Operating Result
to Cash provided from Operating Activities**

Net Operating Result from Income Statement		(1,951)	511
Adjust for non cash items:			
Depreciation & Amortisation		23,296	23,237
Net Losses/(Gains) on Disposal of Assets		150	64
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(5)	(5)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		954	3,580
Increase/(Decrease) in Provision for Doubtful Debts		8	23
Decrease/(Increase) in Inventories		(179)	(122)
Decrease/(Increase) in Other Assets		522	(537)
Increase/(Decrease) in Payables		(1,140)	423
Increase/(Decrease) in accrued Interest Payable		32	(10)
Increase/(Decrease) in other accrued Expenses Payable		(90)	154
Increase/(Decrease) in Other Liabilities		(24)	360
Increase/(Decrease) in Employee Leave Entitlements		94	23
Increase/(Decrease) in Other Provisions		(661)	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		21,006	27,701

(c) Non-Cash Investing & Financing Activities

Nil

(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	676	50
Total Financing Arrangements	1,676	1,050

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.

Bega Valley Shire Council

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

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		3,000	5,500
Infrastructure		806	-
Infrastructure Renewal Tarmac		-	800
Central Waste Facility		-	2,000
Total Commitments		3,806	8,300
These expenditures are payable as follows:			
Within the next year		806	6,800
Later than one year and not later than 5 years		2,500	1,500
Later than 5 years		500	-
Total Payable		3,806	8,300
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	300
Externally Restricted Reserves		806	2,000
Internally Restricted Reserves		2,355	3,500
Unexpended Loans		645	-
New Loans (to be raised)		-	2,500
Total Sources of Funding		3,806	8,300

(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	200	187
Later than one year and not later than 5 years	413	493
Later than 5 years	26	-
Total Non Cancellable Operating Lease Commitments	639	680

b. Non Cancellable Operating Leases include the following assets:

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

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.

(d) Investment Property Commitments

Nil

Bega Valley Shire Council

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

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012
Local Government Industry Indicators - Consolidated			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions) - Operating Expenses	<u>(6,351)</u>	-8.87%	-3.82%
Total continuing operating revenue ⁽¹⁾	<u>71,606</u>		
(excl. Capital Grants & Contributions)			
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
(less ALL Grants & Contributions)	<u>60,580</u>	79.55%	67.81%
Total continuing operating revenue ⁽¹⁾	<u>76,156</u>		
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	<u>16,549</u>	1.94 : 1	2.50
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>8,545</u>		
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>19,070</u>	4.16	5.10
Principal Repayments (from the Statement of Cash Flows)	<u>4,579</u>		
+ Borrowing Interest Costs (from the Income Statement)			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding	<u>1,891</u>	4.14%	4.42%
Rates, Annual and Extra Charges Collectible	<u>45,684</u>		
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>53,347</u>	10.00	10.43
Payments from cash flow of operating and financing activities	<u>5,333</u>		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

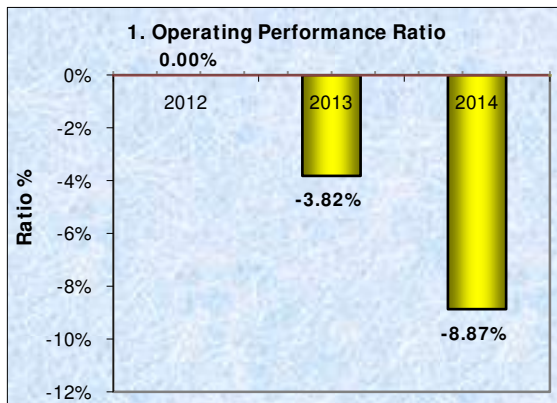
⁽³⁾ Refer to Note 10(a).

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

Bega Valley Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Operating Performance Ratio

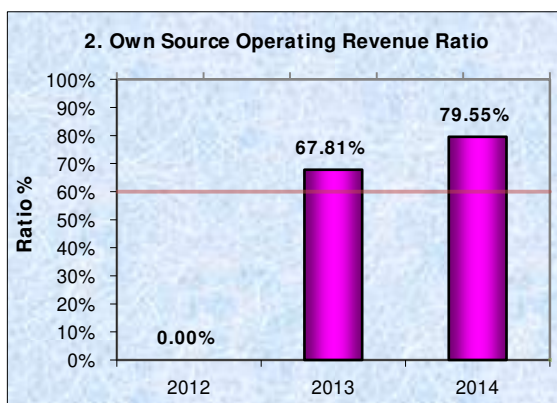
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2013/14 Result

2013/14 Ratio -8.87%

Council's Operating Performance Ratio has been severely impacted in 2013/14 due to the Federal Government not advancing the Financial Assistance Grant in 2013/14. This has reduced councils operating revenue.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

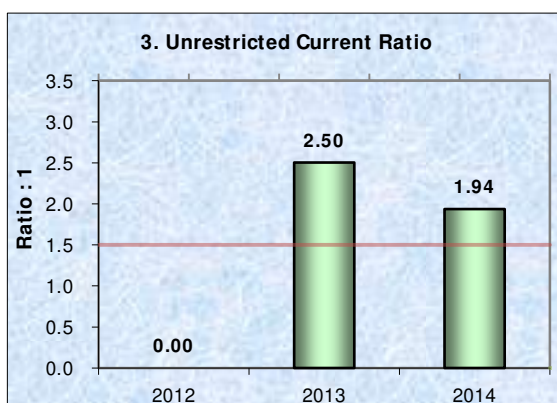
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2013/14 Result

2013/14 Ratio 79.55%

Council is well above the benchmark for own source revenue. The 2013/14 result was improved by the lower reported Financial Assistance Grant revenue in 2013/14.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result

2013/14 Ratio 1.94 : 1

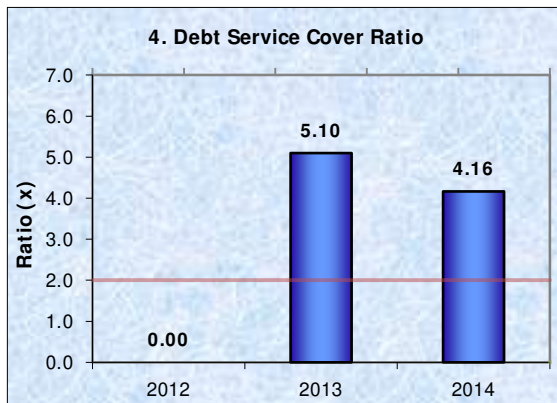
Council is well above the industry benchmark of 1.5:1.1. This indicates a strong capacity to pay its debts as and when they fall due.

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Bega Valley Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

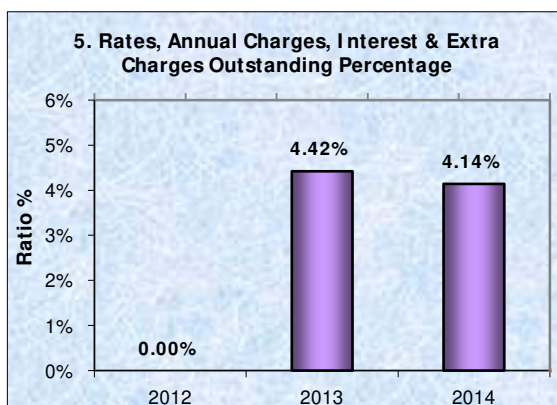
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result

2013/14 Ratio 4.16

Council's debt service ratio is in strong position. Council has sufficient fund to meet its debt obligation



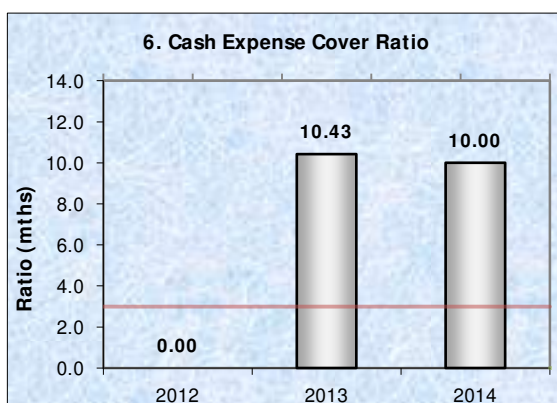
Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result

2013/14 Ratio 4.14%

Outstanding Rates, Charges and fees are 4.14% which is within industry benchmark of 5%. Council has strong debt collection procedures in place to collect its rates and charges.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result

2013/14 Ratio 10.00

Council again has a very strong liquidity ratio and is well above the benchmark.

Bega Valley Shire Council

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

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions) - Operating Expenses	-12.61%	-8.36%	-8.21%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -23.58%	-9.43%	1.06%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾	92.27%	91.60%	72.36%
(less ALL Grants & Contributions)			
Total continuing operating revenue ⁽¹⁾	prior period: 94.36%	97.00%	55.70%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	9.76 : 1	6.00 : 1	1.94 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 22.50	7.39	2.50
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	972.00	3.00	4.08
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 266.43	2.84	6.80
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding	2.86%	2.52%	5.01%
Rates, Annual and Extra Charges Collectible			
	prior period: 3.53%	2.91%	5.20%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits	0.00	0.00	8.32
Payments from cash flow of operating and financing activities	prior period: 0.00	0.00	10.43

Notes

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

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

Bega Valley Shire Council

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

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	27,347	42,400	27,347	59,400
Receivables	5,446	6,419	5,446	6,419
Total Financial Assets	58,793	65,819	32,793	65,819
Financial Liabilities				
Payables	4,906	6,166	4,906	6,166
Loans / Advances	35,766	33,220	35,766	33,220
Total Financial Liabilities	40,672	39,386	40,672	39,386

Fair Value is determined as follows:

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

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

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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
2014				
Possible impact of a 1% movement in Interest Rates	514	514	514	514
2013				
Possible impact of a 1% movement in Interest Rates	539	539	539	539

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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 material receivables that have been subjected to a re-negotiation of repayment terms.

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	100%	100%	100%	100%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	1,724	3,966	-	235
Past due by up to 30 days	-	-	851	1,737
Past due between 31 and 60 days	-	-	330	2,072
Past due by more than 90 days	-	-	555	875
	1,724	3,966	1,736	4,919
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			236	213
+ new provisions recognised during the year			8	23
Balance at the end of the year			244	236

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	1,019	3,887	-	-	-	-	-	4,906	4,906
Loans & Advances	-	3,007	2,692	2,567	2,369	2,304	22,827	35,766	35,766
Total Financial Liabilities	1,019	6,894	2,692	2,567	2,369	2,304	22,827	40,672	40,672
2013									
Trade/Other Payables	1,138	5,030	-	-	-	-	-	6,168	6,166
Loans & Advances	-	2,453	2,252	2,132	1,967	1,840	22,576	33,220	33,220
Total Financial Liabilities	1,138	7,483	2,252	2,132	1,967	1,840	22,576	39,388	39,386

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	4,906	0.0%	6,166	0.0%
Loans & Advances - Fixed Interest Rate	35,766	6.5%	33,220	6.5%
	<u>40,672</u>		<u>39,386</u>	

Bega Valley Shire Council

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

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 26 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	44,593	43,310	(1,283)	(3%) U
User Charges & Fees	12,658	14,213	1,555	12% F
Main contributors to the increase in estimate of fees and charges are Pools (not included in original budget \$616K; Water additional usage \$600K; and Sewer additional usage \$300K				
Interest & Investment Revenue	1,430	2,318	888	62% F
Short term surplus funds available for investment exceeded initial estimate				
Other Revenues	1,130	739	(391)	(35%) U
This variance is caused by multiple small variances including regulatory fines \$67K; Rural roads \$11K Water \$16K Gallery \$60K				
Operating Grants & Contributions	14,217	11,026	(3,191)	(22%) U
The Financial Assistance grant has had quarterly amounts paid in advance for a number of years but this did not occur during 2013/2014 (shortfall \$2,855K)				
Capital Grants & Contributions	4,115	4,550	435	11% F
Section 64 developer contributions were higher than anticipated				

Bega Valley Shire Council

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

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	26,744	27,491	(747)	(3%) U
A variation fluctuates between use of council labour and external contractors. Employee costs are greater this financial year with the offsetting decrease in materials and contracts.				
Borrowing Costs	2,051	2,125	(74)	(4%) U
Materials & Contracts	19,154	18,923	231	1% F
A variation fluctuates between use of council labour and external contractors. Employee costs are greater this financial year with the offsetting decrease in materials and contracts.				
Depreciation & Amortisation	15,588	23,296	(7,708)	(49%) U
Impacts from the depreciation revaluations were underestimated				
Other Expenses	6,000	6,122	(122)	(2%) U
Net Losses from Disposal of Assets	-	150	(150)	0% U
The loss on sale of plant assets was not anticipated in the original estimates				

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	24,033	21,006	(3,027)	(12.6%) U
This unfavourable result in cash flow was the result of a decrease of revenue of \$1,000K - increased interest and decreased grants); and favourable savings in the net impact of increased employee costs and decreased materials and contracts (\$5,000K)				
Cash Flows from Investing Activities	(32,724)	(38,605)	(5,881)	18.0% U
Cash Flows from Financing Activities	2,409	2,546	137	5.7% F

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	240	125	-	12	(73)	-	304	-	(304)	-	-
Parking	1,039	72	-	40	(396)	-	755	-	(755)	-	-
Open Space	342	17	-	13	-	-	372	-	(372)	-	-
Community Facilities	140	52	-	6	(198)	-	-	-	-	-	-
S94 Contributions - under a Plan	1,761	266	-	71	(667)	-	1,431	-	(1,431)	-	-
Total S94 Revenue Under Plans	1,761	266	-	71	(667)	-	1,431				-
S94 not under Plans	135	43	-	5	-	-	183	-	(183)	-	-
S64 Contributions	6,173	1,915	-	266	-	-	8,354				
Total Contributions	8,069	2,224	-	342	(667)	-	9,968	-	(1,614)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN 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	78	118	-	5	(73)	-	128	-	(128)	-	-
Total	78	118	-	5	(73)	-	128	-	(128)	-	-

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	1,039	72	-	40	(396)	-	755	-	(755)	-	-
Total	1,039	72	-	40	(396)	-	755	-	(755)	-	-

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	342	17	-	13	-	-	372	-	(372)	-	-
Community Facilities	140	52	-	6	(198)	-	-	-	-	-	-
Total	482	69	-	19	(198)	-	372	-	(372)	-	-

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	63	-	-	3	-	-	66	-	(66)	-	-
Total	63	-	-	3	-	-	66	-	(66)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN 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	23	7	-	1	-	-	31	-	(31)	-	-
Total	23	7	-	1	-	-	31	-	(31)	-	-

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	11	-	-	1	-	-	12	-	(12)	-	-
Total	11	-	-	1	-	-	12	-	(12)	-	-

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	45	-	-	2	-	-	47	-	(47)	-	-
Total	45	-	-	2	-	-	47	-	(47)	-	-

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	16	-	-	-	-	-	16	-	(16)	-	-
Total	16	-	-	-	-	-	16	-	(16)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN 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	135	43	-	5	-	-	183	-	(183)	-	-
Total	135	43	-	5	-	-	183	-	(183)	-	-

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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 2014

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 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
---------	-------	----------------	----------------

(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		546,000	545,489
a. Net Operating Result for the Year		(1,951)	511
Balance at End of the Reporting Period		544,049	546,000

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		451,684	441,541
Total		451,684	441,541

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

- Opening Balance		441,541	405,719
- Revaluations for the year	9(a)	10,143	35,822
- Balance at End of Year		451,684	441,541

TOTAL VALUE OF RESERVES

451,684	441,541
----------------	----------------

(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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	2,762	13,513	27,035
User Charges & Fees	6,663	1,509	6,041
Interest & Investment Revenue	618	683	1,017
Other Revenues	17	5	717
Grants & Contributions provided for Operating Purposes	151	126	10,749
Grants & Contributions provided for Capital Purposes	700	1,314	2,536
Other Income			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	10,911	17,150	48,095
Expenses from Continuing Operations			
Employee Benefits & on-costs	911	909	25,671
Borrowing Costs	-	1,483	642
Materials & Contracts	6,377	8,029	4,517
Depreciation & Amortisation	4,204	6,834	12,258
Impairment	-	-	-
Other Expenses	-	-	6,122
Net Losses from the Disposal of Assets	9	9	132
Total Expenses from Continuing Operations	11,501	17,264	49,342
Operating Result from Continuing Operations	(590)	(114)	(1,247)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(590)	(114)	(1,247)
Net Operating Result attributable to each Council Fund	(590)	(114)	(1,247)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(1,290)	(1,428)	(3,783)

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	3,796	5,200	18,351
Investments	13,000	10,000	3,000
Receivables	770	534	4,097
Inventories	146	10	614
Other	-	-	15
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	17,712	15,744	26,077
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	45
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	187,776	182,259	618,702
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	187,776	182,259	618,747
TOTAL ASSETS	205,488	198,003	644,824
LIABILITIES			
Current Liabilities			
Payables	893	788	3,802
Borrowings	3	898	2,105
Provisions	397	397	6,337
Total Current Liabilities	1,293	2,083	12,244
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	21,537	11,223
Provisions	-	1	4,201
Total Non-Current Liabilities	-	21,538	15,424
TOTAL LIABILITIES	1,293	23,621	27,668
Net Assets	204,195	174,382	617,156
EQUITY			
Retained Earnings	102,922	81,002	360,125
Revaluation Reserves	101,273	93,380	257,031
Total Equity	204,195	174,382	617,156

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 2014

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 the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 31/10/14.

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

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

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

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

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

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

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 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
Council Tip 1	2014	1,295	1,295
Council Tip 2	2014	1,095	1,095
Council Tip 3	2010	1,627	2,288
Balance at End of the Reporting Period	10(a)	4,017	4,678

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	4,678	4,678
Amounts capitalised to new or existing assets:		
Expenditure incurred attributable to Provisions	(661)	-
Total - Reinstatement, rehabilitation and restoration provision	4,017	4,678

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

Fair Values:		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	Valuation	active mkts	inputs	inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Capital Work in Progress	30/06/14	-	-	1,354	1,354
Plant & equipment	30/06/14	-	-	9,643	9,643
Land operational	30/06/13	-	-	28,608	28,608
Land community & land improvements	30/06/11	-	-	74,039	74,039
Buildings & Other Structures	30/06/13	-	-	41,800	41,800
Roads (incl bridges footpaths & bulk earthworks)	30/06/10	-	-	408,703	408,703
Stormwater Drainage	30/06/10	-	-	24,234	24,234
Water supply network	30/06/12	-	-	187,761	187,761
Sewer Network	30/06/12	-	-	181,975	181,975
Recreational assets	30/06/11	-	-	30,213	30,213
Library books	30/06/14	-	-	407	407
Total Infrastructure, Property, Plant & Equipment		-	-	988,737	988,737

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Council has an amount of \$45,000 shown in Financial Assets Level 3. This amounts relates to the actual monetary value owing at 30 June 2014.

Financial Liabilities

Non current borrowing liabilities shown in Level 3 are the monetary values due at 30 June 2014. There has been no independent valuation carried out on these loans.

The non current liability for provision relates to \$191,000 for Long Service Leave entitlements which is shown at the discounted rate calculated for council's liability at 30 June 2014.

The other amount relates to provision for tip remediation and is reviewed in conjunction with the relevant manager annually. There has been no independent assessment on this calculation.

Infrastructure, Property, Plant & Equipment

Plant & equipment, and office equipment

Plant & equipment, and office equipment are valued at cost but are disclosed at fair value in the notes in accordance with the Code of Accounting practice. The carrying amounts of these assets is assumed to approximate fair value due to the nature of the items. The unobservable inputs for these items are the estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2013 carried out by APV valuers. The unobservable input is the reliance on estimates but was based on market values available. There has been no change to the valuation process during the reporting period.

Community Land and Land improvements

Community land and land improvements were last reviewed at 30 June 2011. This exercise was done in house using adjacent land value where available, or alternatively the unit rate average by the size of each parcel of land. These valuations are achieved through unobservable inputs and are reported in Level 3.

Land improvements include assets such as landscaping and streetscaping. There has been no change to the valuation process during the reporting period.

Buildings and Other Structures

The most recent fair value for the Building asset class was 30 June 2013 and was carried out by APV Valuers. The method used was fair value (market-based measurement). It is categorised in Level 3 as although the fair value measurement was carried out by professional valuers, and based on market movement, it is still open to subjective assessment. There has been no change to the valuation process during the reporting period.

Other structures were valued in house using the replacement cost method, reviewing condition and remaining useful life. As these were subjective estimates using unobservable inputs, they are reported in Level 3. There has been no change in the valuation process during the reporting period.

Bega Valley Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Roads infrastructure

This asset class, including roads surface, substructure, earthworks kerb and gutter and footpaths was revalued for 30 June 2010. This roads revaluation was carried out externally by Moloney, with bridges and other components of transport infrastructure being valued in-house by engineering professionals. As there are unobservable inputs (including condition and remaining useful life and residual values) this class has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Stormwater Drainage

This asset class was also revalued for 30 June 2010 using in-house professionals. As with roads infrastructure there are unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Water Supply Network and Sewer Network

The infrastructure for both these asset classes were revalued at 30 June 2012 externally by NSW Public Works. An extract from their report states that the valuation of BVSC's water supply and sewerage system assets was undertaken by them as a desktop exercise, using the depreciated MEERA (Modern Engineering Equivalent Replacement Asset) cost approach. The asset data for valuation was derived mainly from Council's Asset PLAN2012 asset management system and engineering drawings of facilities supplied by council. The report contains the summaries of fair values of major classes and subclasses of water supply and sewerage assets for scheme in all the catchment areas serviced by the Council. The water and sewer assets have also had the reference rate index applied each year between full revaluation exercises.

As with previous asset classes there has been unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

Recreational Assets

This class of assets was revalued for 30 June 2011 by in-house professionals and so has also been categorised in Level 3 due to the unobservable inputs of estimated useful life, condition assessment and replacement values. There has been no change in the valuation process during the reporting period.

Library Books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

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

Bega Valley Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Receivables	WIP	Plant and Equipment	Land Operational	Total
Adoption of AASB 13	-	1,354	9,643	28,608	39,605
Closing Balance - 30/6/14	-	1,354	9,643	28,608	39,605

	Land Community & Land Improve.	Buildings & Other Structures	Roads Infra- structure	Stormwater Drainage	Total
Adoption of AASB 13	74,039	41,800	408,703	24,234	548,776
Closing Balance - 30/6/14	74,039	41,800	408,703	24,234	548,776

	Water Supply Network	Sewer Network	Recreation Assets	Library books	Total
Adoption of AASB 13	187,761	181,975	30,213	407	400,356
Closing Balance - 30/6/14	187,761	181,975	30,213	407	400,356

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Nil

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Bega Valley Shire Council

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

Note 28. 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**

Leanne Barnes

RESPONSIBLE ACCOUNTING OFFICER

Lucas Scarpin

Elected Members**MAYOR**

Michael Britten

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

RSM Bird Cameron

Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 F +61 2 8226 4501
www.rsmi.com.au

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 2014, 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 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 Accounting Standards.
- (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**

W E Beauman
Director

31 October 2014

RSM Bird Cameron

Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 F +61 2 8226 4501

31 October 2014

Councillor Britten
Mayor
Bega Valley Shire Council
Zingel Place
BEGA NSW 2550

Dear Councillor Britten,

SECTION 417(3) REPORT ON THE CONDUCT OF THE 2014 AUDIT

We have completed our audit of the financial statements of Bega Valley Shire Council for the year ended 30 June 2014 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 2014 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

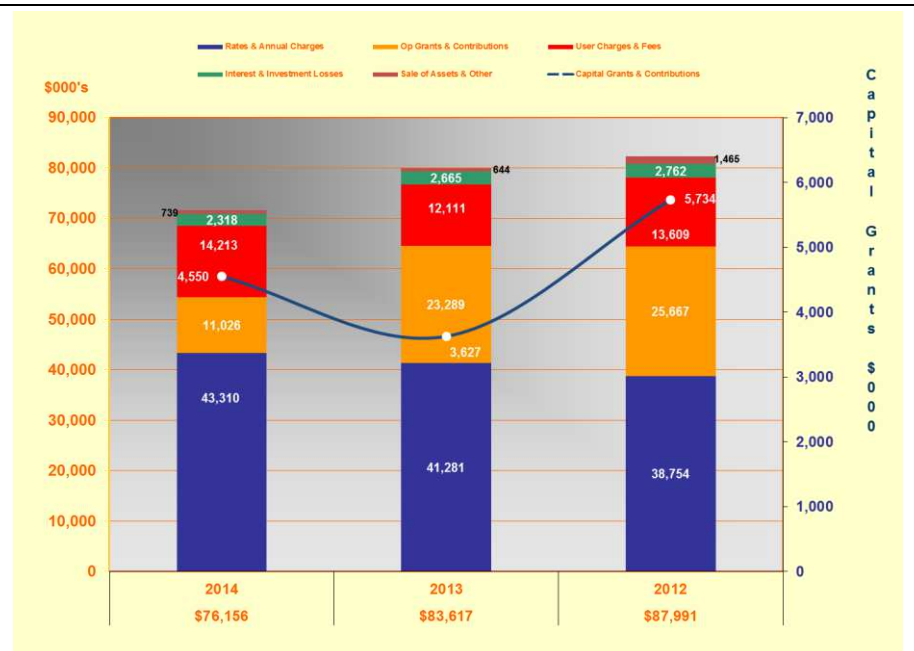
The consolidated (loss) / profit for the year ended 30 June 2014 from ordinary continuing operations amounted to \$(1,951)K, (2013: \$511K). The activities of Council contributed to the consolidated operating result as follows:

	2014 \$000	2013 \$000
General Fund	(945)	4,030
Water Supply	(824)	(2,375)
Sewer Supply	(182)	(1,144)
Operating Result from continuing Operations	\$(1,951)	\$511

4.1 OPERATING REVENUES

**Decreased by \$(8,384)K (10.4%)
to \$71,606K**

before capital grants of \$4,550K
(2013 \$3,627K)



i. Rates & Annual Charges increased \$2,029K (5%) to \$43,310K

This equates to 57% of revenues from continuing operations and compares with 49% in 2013.

- Ordinary rates amounted to \$19,686K and increased by 5.9%. This is consistent with the 2014 Local Government Index ('LGI') of 3.4% and the special variation approved by IPART of 2% as well as Council's estimate of net general rates revenue of \$19,372K.
- For 2015, the LGI rate increase inclusive of the special variation approved by IPART is 5.5% and Council is estimating revenue from general rates net of rebates equal to \$20,615K.
- Annual Charges increased by \$921K to \$23,624K an increase of 4% (2013 7.2%) consistent with the LGI of 3.4%.

ii. User Charges & Fees increased \$2,102K (17%) to \$14,213K

This is due to significant increases in water and sewer user charges of \$1,248K and swimming pool revenues of \$551K resulting from the Sapphire Aquatic Centre being managed by Council for the full year.

iii. Investment Revenues \$2,318K decreased \$(347)K

Council earned interest of \$1,961K on its investments this year a decrease of \$(395)K from 2013 due to lower average interest rates in 2014. At year end Council holds \$51,000K or 98% (2013 - \$59,400K or 98%) of its investments in short term deposits.

4.1 Operating Revenues (Continued)

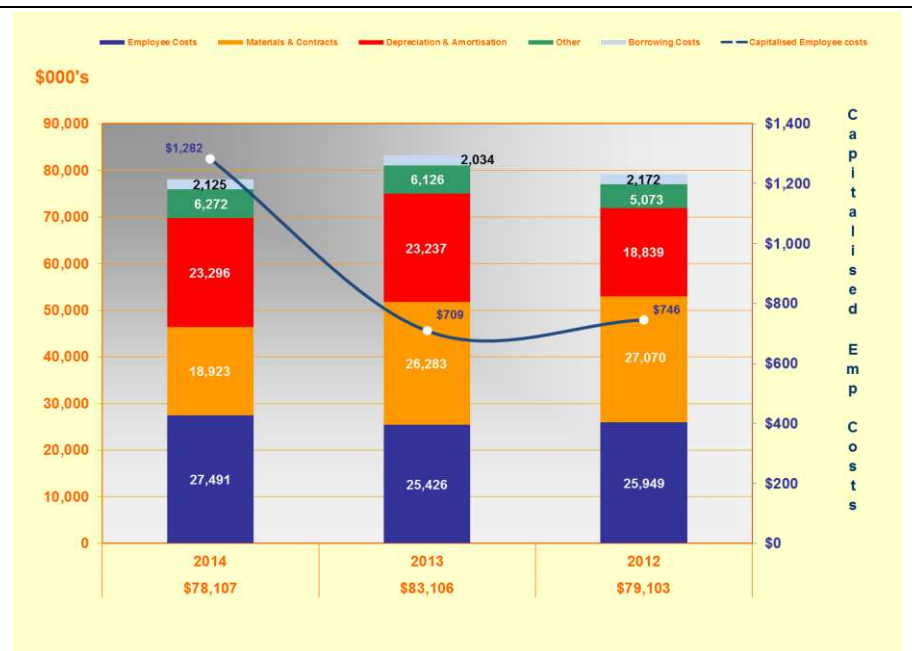
iv. Operating Grants and Contributions decreased by \$(12,263)K to \$11,026K

This source of council's revenue has decreased to 14% of total income (2013 – 28%). The decrease is due to:

- Extra instalments of the Financial Assistance Grant ('FAG') previously paid in advance to Council reverted to annual payments in 2014. Consequently, FAG revenue decreased by \$3,238K and no amount is in advance of 2015. Amounts previously held by Council as an internal restriction over Cash & Investments of \$3,454K have also decreased to \$nil.
- 2012 including revenues associated with flood restoration works \$8,929K not recurring this year.
- The balance of grants and contributions received and recognised as income and remaining unspent at year end increased by \$1,482K to \$11,021K due to increases in Water and Sewer developer contributions (2013 decrease \$(1,117)K).

4.2 EXPENSES FROM CONTINUING OPERATIONS

Decreased by \$(4,999)K (6%) to \$78,107K



i. Employee Costs before amounts capitalised increased \$2,638K (10%) to \$28,773K

Gross Employee costs are equal to 52% of total expenses before depreciation and amortisation and this compares with 44% in 2013. This increase is due to the number of casuals employed at the Aquatic Centre, the cadet / trainee program and overtime worked.

ii. Depreciation & Amortisation expense \$23,296K

Depreciation expense is a significant cost to Council representing 29.6% (2013 – 28%) of total ordinary expenses although this does not involve an outflow of cash. Water and Sewerage infrastructure network assets have again been indexed this year resulting in a revaluation increment of \$10,143K (2013 \$8,992K).

4.2 Operating Expenses (Continued)

iii. Interest expense included in Borrowing Costs increased \$92K (4.5%) to \$2,118K

This increase in expense is consistent with Council's outstanding borrowings which increased by \$1,677K in 2013 as a result of new loans obtained as part of the Local Infrastructure Renewal Scheme 'LIRS'. An offset to this expense is the interest subsidy received as part of the LIRS of \$80K.

iv. Materials & Contract costs decreased \$(7,360)K to \$18,923K

Last year includes expenses associated with flood damage rectification works not occurring in the current year.

4.3 CAPITAL INCOME

There was an increase in Capital Grants & Contributions of \$923K to \$4,550K due to increases in Developer contributions of \$1,497K and decreases in capital grants of \$(498)K. Contributions received comprise:

	2014 \$000	2013 \$000
Section 94 contributions	308	239
Section 64 water supply contributions	700	242
Section 64 sewer supply contributions	1,216	246
Total	\$2,224	\$727

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 \$1,614K relating to S.94 contributions and \$8,354K for unspent S.64 contributions, a net increase of \$1,899K from 2013.

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 2014 Council's net current assets amounted to \$43,913K and its unrestricted current ratio is equal to 1.94, this compares with a ratio of 2.5 in 2013. Whilst, this ratio indicates that Council has sufficient liquid resources to be able to meet its existing current obligations we emphasise this ratio should be considered together with other key financial indicators.

5.2 CASH AND INVESTMENTS

- (a) Council's cash and investment balances decreased by \$(6,053)K to \$53,347K. Cash from operating activities amounted to \$21,006K, and together with net new borrowings of \$2,546K was used to fund \$30,837K in acquisitions of infrastructure, property, plant and equipment and accounted for this increase. The composition of cash and investments held by Council at year end is as follows:

	2014 \$000	2013 \$000
Cash	2,347	400
Deposits at call		4,000
Cash equivalent Short term deposits (< 3 month maturity dates)	25,000	38,000
Held to Maturity Long term deposits (> 3 month maturity dates)	26,000	17,000
Total	\$53,347	\$59,400

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

	2014 \$000	2013 \$000
Externally Restricted	41,524	39,234
Internally Restricted	10,264	18,197
Unrestricted	1,559	1,969
Total	\$53,347	\$59,400

- (c) External restrictions include the internal reserves in the Water and Sewer funds which amount to \$11,697K and \$11,945K respectively. After allowing for developer contributions, the Water and Sewer supply operations of Council account for \$31,996K or 77% (2013 – 75%) of all externally restricted cash and investment balances.
- (d) Internally restricted cash decreased \$(7,933)K to \$10,264K. 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 – \$3,071K:** there was a net decrease in this reserve of \$(903)K this year. These funds are set aside by Council for strategic community projects. In 2014 these projects included: Littleton Gardens \$823K and the Eden Port \$185K.
 - ii. **Funding in Advance – FAG \$Nil (2013 - \$3,454K):** The State government removed its advance payments to Council which previously comprised two quarterly instalments of the financial assistance grants.
 - iii. **Employees leave entitlements – \$2,115K:** Council’s provision for its liability for employee leave entitlements and associated on-costs amounted to \$7,316K. This cash reserve provides liquidity equal to 29% (2013 - 28%) of the total liability and provides a sufficient buffer to enable Council to meet any unbudgeted and unanticipated terminations;
 - iv. **Plant replacement – \$555K:** decreased by \$(926)K and is used to fund major items of new plant;
 - v. **Airport Reserve – \$10K:** – decreased by \$(531)K. Transfers from this balance were used to fund capital works associated with renewal works of the airport tarmac \$(1,000)K and loan repayments of \$(450)K. The 2015 operating budget shows a net increase in this reserve of \$109K.
 - vi. **Waste management – \$343K:** – decreased by \$(321)K used to fund future capital works associated with the Central Waste Facility.
 - vii. **Carryover works – \$426K:** – This restriction is for budgeted works to be funded from revenue which was not able to be completed in the current year and revoted to 2015. This restriction includes \$345K of the special variation relating to VIC and tourism.

5. PERFORMANCE INDICATORS CONT'D

5.3 Debt Service Cover: 4.16 (2013 – 5.1)

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

This is a new indicator in 2014 in place of the previous *Debt Service Ratio* which measured loan and interest payments as a percentage of operating revenues.



This indicator is well in excess of the benchmark level of 2. Generally, this ratio is influenced by the level of infrastructure works undertaken. This ratio would increase to 4.24 if interest expense is reduced by the amount LIRS interest subsidy received of \$80K.

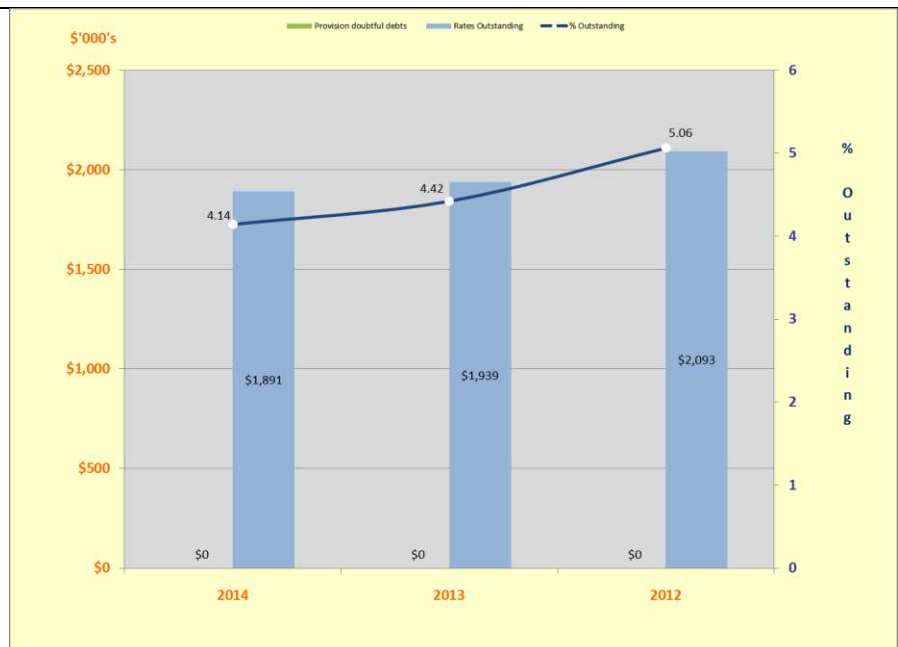
At year end Council has outstanding borrowings of \$35,766K after net new borrowings of \$2,546K in 2014. There are loans raised and unexpended at year-end of \$2,051K, an increase of \$1,860K. Outstanding loans are associated with the Water operations - \$3K and Sewer operations - \$22,435K of Council with the balance of \$13,328K relating to general operations.

Council's 2015 budget includes new borrowings of \$3,170K to be used to fund the Bega Depot upgrade \$1,500K and urban road renewals of \$1,670K.

5. PERFORMANCE INDICATORS CONT'D

5.4 Rates & Annual Charges Outstanding: - 4.14% (2013 4.42%)

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



This indicator has continued its improvement over recent years and a ratio below 5% is a good result for Council.

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.

This year in accordance with these requirements, Water and Sewerage network infrastructure assets were indexed by 2.8% using reference rates provided by the NSW Department of Primary Industries Office of Water. This resulted in revaluation adjustment of \$10,143K. Details of these revaluation adjustments are disclosed in Notes 9 and 20 to the Financial Statements.

Valuations of the following asset classes in the next four years that will need to be planned for are as follows:

Asset Class	Due
Roads, bridges, footpaths, drainage, bulk earth works	30 June 2015
Community land, other assets and land improvements	30 June 2016
Water & Sewer network assets	30 June 2017
PPE, operational land, buildings	30 June 2018

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



W E Beuman
Director

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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2. Special Purpose Financial Statements:	
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Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
Statement of Financial Position - Water Supply Business Activity	5
Statement of Financial Position - Sewerage Business Activity	6
Statement of Financial Position - Other Business Activities	n/a
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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 2014

Statement by Councillors and Management

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

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

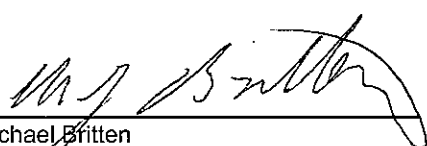
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

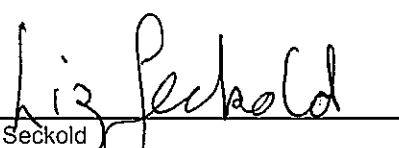
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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


Signed in accordance with a resolution of Council made on 01 October 2014.



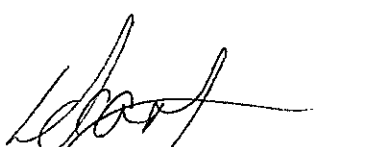
Michael Britten
MAYOR



Liz Seckold
COUNCILLOR



Leanne Barnes
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 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	2,762	2,665
User charges	6,477	5,583
Fees	187	141
Interest	618	708
Grants and contributions provided for non capital purposes	151	232
Profit from the sale of assets	-	-
Other income	17	11
Total income from continuing operations	10,212	9,340
Expenses from continuing operations		
Employee benefits and on-costs	911	781
Borrowing costs	-	4
Materials and contracts	6,373	6,674
Depreciation and impairment	4,204	4,063
Water purchase charges	-	-
Loss on sale of assets	9	17
Calculated taxation equivalents	3	3
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	11,500	11,542
Surplus (deficit) from Continuing Operations before capital amounts	(1,288)	(2,202)
Grants and contributions provided for capital purposes	700	312
Surplus (deficit) from Continuing Operations after capital amounts	(588)	(1,890)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(588)	(1,890)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(588)	(1,890)
plus Opening Retained Profits	103,510	105,400
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	3	3
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(3)	(3)
- Surplus dividend paid	-	-
Closing Retained Profits	102,922	103,510
Return on Capital %	-0.01	-0.01
Subsidy from Council	7972.83	9144.00
Calculation of dividend payable:		
Surplus (deficit) after tax	(588)	(1,890)
less: Capital grants and contributions (excluding developer contributions)	-	127
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Bega Valley Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	13,513	13,024
User charges	1,410	1,199
Liquid Trade Waste charges	-	-
Fees	99	80
Interest	683	713
Grants and contributions provided for non capital purposes	126	124
Profit from the sale of assets	-	-
Other income	5	-
Total income from continuing operations	15,836	15,140
Expenses from continuing operations		
Employee benefits and on-costs	909	666
Borrowing costs	1,483	1,539
Materials and contracts	8,029	7,930
Depreciation and impairment	6,834	6,516
Loss on sale of assets	9	17
Calculated taxation equivalents	2	2
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	17,266	16,670
Surplus (deficit) from Continuing Operations before capital amounts	(1,430)	(1,530)
Grants and contributions provided for capital purposes	1,314	340
Surplus (deficit) from Continuing Operations after capital amounts	(116)	(1,190)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(116)	(1,190)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(116)	(1,190)
plus Opening Retained Profits	81,118	82,308
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	2	2
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(2)	(2)
- Surplus dividend paid	-	-
Closing Retained Profits	81,002	81,118
Return on Capital %	0.0%	0.0%
Subsidy from Council	6,435	6,720
Calculation of dividend payable:		
Surplus (deficit) after tax	(116)	(1,190)
less: Capital grants and contributions (excluding developer contributions)	(98)	19
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Bega Valley Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	3,796	-
Investments	13,000	14,639
Receivables	770	1,124
Inventories	146	144
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	17,712	15,907
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	187,776	184,243
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	187,776	184,243
TOTAL ASSETS	205,488	200,150
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	893	308
Interest bearing liabilities	3	3
Provisions	397	208
Total Current Liabilities	1,293	519
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	3
Provisions	-	4
Total Non-Current Liabilities	-	7
TOTAL LIABILITIES	1,293	526
NET ASSETS	204,195	199,624
EQUITY		
Retained earnings	102,922	103,510
Revaluation reserves	101,273	96,114
Council equity interest	204,195	199,624
Non-controlling equity interest	-	-
TOTAL EQUITY	204,195	199,624

Bega Valley Shire Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	5,200	-
Investments	10,000	14,795
Receivables	534	668
Inventories	10	9
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	15,744	15,472
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	182,259	178,499
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	182,259	178,499
TOTAL ASSETS	198,003	193,971
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	788	968
Interest bearing liabilities	898	655
Provisions	397	208
Total Current Liabilities	2,083	1,831
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	21,537	22,624
Provisions	1	4
Total Non-Current Liabilities	21,538	22,628
TOTAL LIABILITIES	23,621	24,459
NET ASSETS	174,382	169,512
EQUITY		
Retained earnings	81,002	81,118
Revaluation reserves	93,380	88,394
Council equity interest	174,382	169,512
Non-controlling equity interest	-	-
TOTAL EQUITY	174,382	169,512

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	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 2014

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Water 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 Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

Bega Valley Shire Council

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

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

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

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

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. 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 2014

Note 1. Significant Accounting Policies

(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 each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Bega Valley Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	3,000
(ii)	No of assessments multiplied by \$3/assessment	43,338
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	3,000
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	430,380
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(1,592,800)

2014 Surplus	(588,000)	2013 Surplus	(1,763,000)	2012 Surplus	758,200
		2013 Dividend	-	2012 Dividend	-

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

3. Required outcomes for 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 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

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

2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	10,296
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)]	%	62.58%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	187,762
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,286
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,608
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)]	%	-0.64%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Bega Valley Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	2,000
(ii)	No of assessments multiplied by \$3/assessment	38,349
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	2,000
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	381,490
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(988,400)

2014 Surplus	(214,000)	2013 Surplus	(1,171,000)	2012 Surplus	396,600
		2013 Dividend	-	2012 Dividend	-

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

3. Required outcomes for 4 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	16,467
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	181,975
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	8,937
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,558
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.38%
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	26,745
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.01%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	8,166
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)]	%	-0.13%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2014

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-2.52%
	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)		-
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		497
	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:		182
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	(702)
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	270
	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.

RSM Bird Cameron

Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 F +61 2 8226 4501
www.rsmi.com.au

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 2014, 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 NSW Office 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 NSW Office 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.

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

1. In our opinion the Special Purpose Financial Statements of the Bega Valley Shire Council:
 - a. Have been prepared in accordance with those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - b. Are consistent with council's accounting records;
 - c. present fairly, the financial position of Council's nominated business activities as at 30 June 2014 and the results of their operations for the year then ended;
2. All information relevant to the conduct of the audit has been obtained;
3. There are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of our audit.

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 NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

**RSM Bird Cameron**

W E Beauman
Partner

31 October 2014

Bega Valley Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

Bega Valley Shire Council

Special Schedules

for the financial year ended 30 June 2014

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Bega Valley Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,712	-	-	(1,712)
Administration	3,927	587	150	(3,190)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,237	597	156	(484)
Beach Control	175	-	-	(175)
Enforcement of Local Govt. Regulations	604	234	-	(370)
Animal Control	-	-	-	-
Other	-	-	-	-
Total Public Order & Safety	2,016	831	156	(1,029)
Health	356	84	-	(272)
Environment				
Noxious Plants and Insect/Vermin Control	618	166	-	(452)
Other Environmental Protection	1,277	316	-	(961)
Solid Waste Management	6,333	8,947	-	2,614
Street Cleaning	630	34	-	(596)
Drainage	-	-	-	-
Stormwater Management	728	289	-	(439)
Total Environment	9,586	9,752	-	166
Community Services and Education				
Administration & Education	995	221	-	(774)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	1,011	884	-	(127)
Children's Services	2,930	2,773	-	(157)
Total Community Services & Education	4,936	3,878	-	(1,058)
Housing and Community Amenities				
Public Cemeteries	355	314	-	(41)
Public Conveniences	715	-	-	(715)
Street Lighting	289	-	-	(289)
Town Planning	2,675	600	-	(2,075)
Other Community Amenities	1,046	-	-	(1,046)
Total Housing and Community Amenities	5,080	914	-	(4,166)
Water Supplies	11,498	9,974	700	(824)
Sewerage Services	17,214	15,718	1,314	(182)

Bega Valley Shire Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,501	147	200	(1,154)
Museums	-	-	-	-
Art Galleries	209	46	-	(163)
Community Centres and Halls	605	197	-	(408)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	826	96	-	(730)
Swimming Pools	1,811	616	-	(1,195)
Parks & Gardens (Lakes)	1,371	140	-	(1,231)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	6,323	1,242	200	(4,881)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	992	1,136	-	144
Other Mining, Manufacturing & Construction	250	117	-	(133)
Total Mining, Manufacturing and Const.	1,242	1,253	-	11
Transport and Communication				
Urban Roads (UR) - Local	4,167	1	310	(3,856)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,663	77	-	(2,586)
Sealed Rural Roads (SRR) - Regional	1,464	-	575	(889)
Unsealed Rural Roads (URR) - Local	1,697	-	753	(944)
Unsealed Rural Roads (URR) - Regional	1,580	1,934	-	354
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	619	-	-	(619)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	1,903	-	-	(1,903)
Parking Areas	105	-	-	(105)
Footpaths	54	-	-	(54)
Aerodromes	494	140	-	(354)
Other Transport & Communication	(2,116)	507	392	3,015
Total Transport and Communication	12,630	2,659	2,030	(7,941)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,587	455	-	(1,132)
Total Economic Affairs	1,587	455	-	(1,132)
Totals – Functions	78,107	47,347	4,550	(26,210)
General Purpose Revenues ⁽²⁾		24,259		24,259
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	78,107	71,606	4,550	(1,951)

(1) As reported in the Income Statement

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

Bega Valley Shire Council

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

for the financial year ended 30 June 2014

\$'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	2,439	30,680	33,119	5,000	2,440	-	3	2,118	2,991	32,688	35,679
Other	3	3	6	-	3	-	-	-	3	-	3
Total Loans	2,442	30,683	33,125	5,000	2,443	-	3	2,118	2,994	32,688	35,682
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	11	84	95	-	11	-	-	7	12	72	84
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	11	84	95	-	11	-	-	7	12	72	84
Total Debt	2,453	30,767	33,220	5,000	2,454	-	3	2,125	3,006	32,760	35,766

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,670	1,024
b. Engineering and Supervision	2,144	2,365
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	197	157
b. Maintenance expenses	317	135
- Mains		
c. Operation expenses	624	866
d. Maintenance expenses	991	1,282
- Reservoirs		
e. Operation expenses	99	224
f. Maintenance expenses	129	157
- Pumping Stations		
g. Operation expenses (excluding energy costs)	7	1
h. Energy costs	501	576
i. Maintenance expenses	97	209
- Treatment		
j. Operation expenses (excluding chemical costs)	295	287
k. Chemical costs	-	-
l. Maintenance expenses	215	173
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	4,199	4,052
b. Plant and equipment	5	11
4. Miscellaneous expenses		
a. Interest expenses	-	4
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	3	3
5. Total expenses	11,493	11,526

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	2,762	2,665
b. Usage charges	4,620	3,949
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	1,857	1,634
8. Extra charges	-	-
9. Interest income	618	708
10. Other income	213	153
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	70
b. Grants for pensioner rebates	144	142
c. Other grants	-	90
12. Contributions		
a. Developer charges	700	242
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	10,914	9,653
14. Gain (or loss) on disposal of assets	(9)	(17)
15. Operating Result	(588)	(1,890)
15a. Operating Result (less grants for acquisition of assets)	(588)	(1,960)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	768	284
c. Renewals	1,840	1,705
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	3	3
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	2,611	1,992
Non-operating funds employed		
20. Proceeds from disposal of assets	35	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	100
23. Totals	35	100
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	12,438	12,566
b. Residential (unoccupied, ie. vacant lot)	1,023	942
c. Non-residential (occupied)	954	936
d. Non-residential (unoccupied, ie. vacant lot)	31	30
25. Number of ETs for which developer charges were received	93 ET	28 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 144,318	\$ 141,832

Bega Valley Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<input type="checkbox"/>			
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 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

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

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

Bega Valley Shire Council

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

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

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	5,099	-	5,099
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	11,697	-	11,697
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	79	-	79
c. User Charges	681	-	681
d. Other	11	-	11
32. Inventories	145	-	145
33. Property, plant and equipment			
a. System assets	-	187,762	187,762
b. Plant and equipment	-	14	14
34. Other assets	-	-	-
35. Total assets	17,712	187,776	205,488
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	892	-	892
38. Borrowings			
a. Loans	3	-	3
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	397	1	398
40. Total liabilities	1,292	1	1,293
41. NET ASSETS COMMITTED	16,420	187,775	204,195
EQUITY			
42. Accumulated surplus			102,924
43. Asset revaluation reserve			101,271
44. TOTAL EQUITY			204,195
Note to system assets:			
45. Current replacement cost of system assets			299,402
46. Accumulated current cost depreciation of system assets			(111,640)
47. Written down current cost of system assets			187,762

Bega Valley Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

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

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,473	829
b. Engineering and Supervision	2,526	2,727
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	484	581
b. Maintenance expenses	312	308
- Pumping Stations		
c. Operation expenses (excluding energy costs)	532	482
d. Energy costs	-	-
e. Maintenance expenses	441	399
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	3,103	3,096
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	15	175
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	51	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	6,764	6,443
b. Plant and equipment	69	72
4. Miscellaneous expenses		
a. Interest expenses	1,483	1,539
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	2	2
5. Total expenses	17,255	16,653

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	13,513	13,024
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	1,410	1,199
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	683	713
11. Other income	104	80
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	126	124
c. Other grants	-	-
13. Contributions		
a. Developer charges	1,216	246
b. Developer provided assets	-	-
c. Other contributions	98	94
14. Total income	17,150	15,480
15. Gain (or loss) on disposal of assets	(9)	(17)
16. Operating Result	(114)	(1,190)
16a. Operating Result (less grants for acquisition of assets)	(114)	(1,190)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	4,222	759
c. Renewals	1,336	1,563
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	844	792
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	3	3
20. Totals	6,405	3,117
Non-operating funds employed		
21. Proceeds from disposal of assets	35	37
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	35	37
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,986	11,104
b. Residential (unoccupied, ie. vacant lot)	1,027	935
c. Non-residential (occupied)	744	738
d. Non-residential (unoccupied, ie. vacant lot)	26	26
26. Number of ETs for which developer charges were received	116 ET	29 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 126,341	\$ 123,889

Bega Valley Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2014

\$'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"/>	<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 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

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

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

Bega Valley Shire Council

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

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

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	3,255	-	3,255
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	11,945	-	11,945
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	340	-	340
c. User Charges	134	-	134
d. Other	60	-	60
33. Inventories	10	-	10
34. Property, plant and equipment			
a. System assets	-	181,975	181,975
b. Plant and equipment	-	284	284
35. Other assets	-	-	-
36. Total Assets	15,744	182,259	198,003
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	788	-	788
39. Borrowings			
a. Loans	898	21,537	22,435
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	397	1	398
41. Total Liabilities	2,083	21,538	23,621
42. NET ASSETS COMMITTED	13,661	160,721	174,382
EQUITY			
42. Accumulated surplus			81,002
44. Asset revaluation reserve			93,380
45. TOTAL EQUITY			174,382
Note to system assets:			
46. Current replacement cost of system assets			288,942
47. Accumulated current cost depreciation of system assets			(106,967)
48. Written down current cost of system assets			181,975

Bega Valley Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2014

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	3,510	240	134	7,566	0%	0%	50%	50%	0%
	Council Works Depot	2,260	115	53	3,102	0%	0%	25%	75%	0%
	Council Public Halls	2,150	145	180	16,687	0%	0%	20%	80%	0%
	Libraries	1,000	300	25	1,206	0%	0%	25%	75%	0%
	Other Buildings	1,240	300	289	7,272	0%	0%	30%	70%	0%
	Other Airport	220	-	-	782	0%	0%	70%	30%	0%
	Childcare	1,500	450	81	1,736	0%	0%	50%	50%	0%
	Emergency Services	-	-	-	1,111	75%	25%	0%	0%	0%
	sub total	11,880	1,550	762	39,462	2.1%	0.7%	29.9%	67.3%	0.0%
Other Structures	Other Structures	-	-	-	2,338	0%	0%	50%	50%	0%
	sub total	-	-	-	2,338	0.0%	0.0%	50.0%	50.0%	0.0%
Roads	Sealed Roads Surface	2,040	300	302	13,265	10%	30%	30%	30%	0%
	Sealed Roads Structure	14,800	2,170	2,212	94,493	10%	30%	30%	30%	0%
	Unsealed Roads	14,960	1,650	1,944	6,415	10%	30%	30%	30%	0%
	Bridges	3,400	620	524	106,518	10%	30%	30%	30%	0%
	Footpaths	500	160	54	6,236	10%	30%	30%	30%	0%
	Kerb and Gutter	2,000	150	50	34,557	5%	5%	45%	45%	0%
	Other Road Assets	1,500	200	104	16,485	10%	30%	30%	30%	0%
	sub total	39,200	5,250	5,190	277,969	9.4%	26.9%	31.9%	31.9%	0.0%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network										
	Dams/Weirs	520	185	317	31,236	80%	20%	0%	0%	0%
	Mains	3,045	930	991	105,076	46%	15%	29%	9%	1%
	Reservoirs	260	125	129	45,837	41%	47%	11%	1%	0%
	Pumping Station/s	1,150	330	96	4,696	5%	45%	50%	0%	0%
	Treatment	190	240	215	916	75%	25%	0%	0%	0%
	sub total	5,165	1,810	1,748	187,761	49.6%	24.4%	20.2%	5.3%	0.6%
Sewerage Network										
	Mains	7,800	1,005	456	78,401	39%	32%	24%	4%	1%
	Pumping Station/s	825	710	691	70,983	10%	20%	70%	0%	0%
	Treatment	2,430	925	1,551	32,591	10%	20%	70%	0%	0%
	sub total	11,055	2,640	2,698	181,975	22.5%	25.2%	50.2%	1.7%	0.4%

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

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	-	300	300	17,398	10%	20%	50%	20%	0%
	Inlet and Junction Pits	-	60	60	6,836	10%	20%	50%	20%	0%
	sub total	-	360	360	24,234	10.0%	20.0%	50.0%	20.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	-	-	197	30,213	10%	0%	45%	45%	0%
	Other	-	-	-	-					
	sub total	-	-	197	30,213	10.0%	0.0%	45.0%	45.0%	0.0%
	TOTAL - ALL ASSETS	67,300	11,610	10,955	743,952	22.4%	23.1%	34.5%	19.9%	0.2%

Notes:

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

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

Bega Valley Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	13,119	61.44%	0.00%	
Depreciation, Amortisation & Impairment	21,354			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	67,300	0.09	0.00	
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	751,031			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	10,955	0.94	0.00	
Required Asset Maintenance	11,610			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	29,471	1.27	0.00	
Annual Depreciation	23,296			

Notes

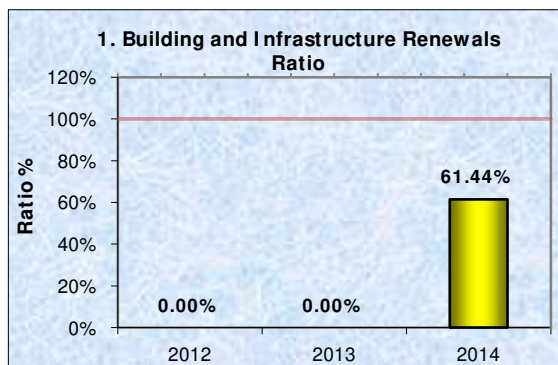
⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Bega Valley Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014



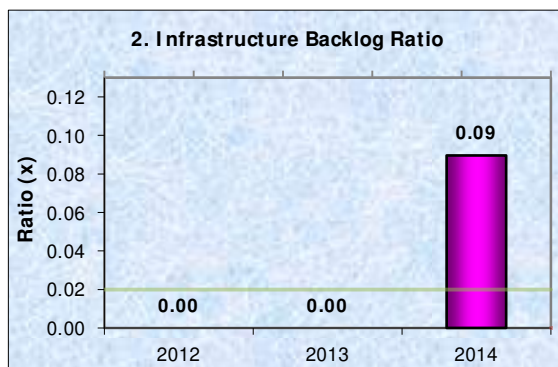
Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2013/14 Ratio 61.44%

Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



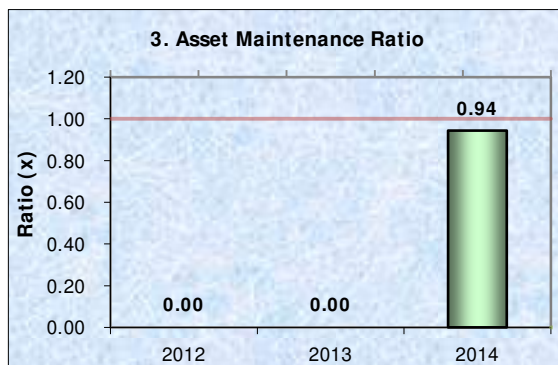
Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2013/14 Ratio 0.09 x

Maximum 0.02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



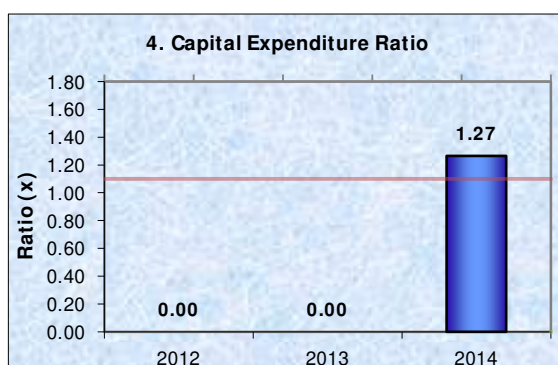
Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

2013/14 Ratio 0.94 x

Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2013/14 Ratio 1.27 x

Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Bega Valley Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure) ⁽¹⁾</u>	43.82%	19.75%	95.69%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	0.00%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.03	0.06	0.13
prior period:	0.00	0.00	0.00
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	0.97	1.02	0.91
prior period:	0.00	0.00	0.00
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	0.62	0.81	1.74
prior period:	0.49	0.36	-0.34

Notes

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

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

⁽³⁾ Written down value

Bega Valley Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	76,156	99,741	100,912	101,477	104,271	102,682	103,514	104,145	104,746	105,516	106,497
Expenses from continuing operations	78,107	101,209	100,858	100,073	99,581	99,108	98,617	98,145	97,728	97,818	97,859
Operating Result from Continuing Operations	(1,951)	(1,468)	54	1,404	4,690	3,574	4,897	6,000	7,018	7,698	8,638
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	17,720	10,681	7,997	14,891	9,939	4,780	10,325	12,192	9,743	3,082	2,352
Replacement/Refurbishment of Existing Assets	13,119	16,157	15,053	16,429	19,135	18,315	17,839	16,617	16,129	18,693	17,595
Total Capital Budget	30,839	26,838	23,050	31,320	29,074	23,095	28,164	28,809	25,872	21,775	19,947
Funded by:											
– Loans	4,108	3,170	-	-	1,373	888	-	-	-	-	-
– Asset sales	1,366	264	800	250	-	-	-	-	-	-	-
– Reserves	2,059	2,487	2,932	7,507	4,086	1,272	3,344	2,793	3,387	-	723
– Grants/Contributions	5,028	5,108	5,978	4,395	4,327	4,293	5,540	4,941	4,770	4,804	4,829
– Recurrent revenue	16,808	15,809	13,340	19,168	19,288	16,642	19,280	21,075	17,715	16,971	14,395
– Other	1,470	-	-	-	-	-	-	-	-	-	-
	30,839	26,838	23,050	31,320	29,074	23,095	28,164	28,809	25,872	21,775	19,947

Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Bega Valley Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	19,279	20,414
Plus or minus Adjustments ⁽²⁾	b	94	244
Notional General Income	c	19,373	20,658
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	5.40%	5.50%
or Rate peg percentage	e		
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	(537)
plus Special variation amount	$h = (c+g) \times d$	1,046	1,107
or plus Rate peg amount	$i = c \times e$	-	-
or plus Crown land adjustment and rate peg amount	$j = c \times f$	-	-
sub-total	$k = (c+g+h+i+j)$	20,419	21,228
plus (or minus) last year's Carry Forward Total	l	46	0
less Valuation Objections claimed in the previous year	m	(5)	-
sub-total	$n = (l + m)$	41	0
Total Permissible income	$o = k + n$	20,460	21,228
less Notional General Income Yield	p	20,414	21,203
Catch-up or (excess) result	$q = o - p$	46	25
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	12
less Unused catch-up ⁽⁵⁾	s	(46)	-
Carry forward to next year	$t = q + r - s$	0	37

Notes

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

RSM Bird Cameron

Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 F +61 2 8226 4501
www.rsmi.com.au

**BEGA VALLEY SHIRE COUNCIL
Special Schedule No. 9 - Independent Auditors Report
for the financial year ended 30 June 2015****Scope**

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

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 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.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 Special Schedule No. 9 is free from material misstatement.

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

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

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

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 9 of Bega Valley Shire Council for 2014/15 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**RSM Bird Cameron**
W. E. Beauman
Director

Sydney, 31 October 2014