

Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"Your place, Our place, Great place"



Bega Valley Shire Council

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

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for 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 2013. Council has the power to amend and reissue these financial statements.
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Bega Valley Shire Council

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

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 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. 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 Division of Local Government.

Bega Valley Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2013.



Councillor Bill Taylor
MAYOR



Councillor
COUNCILLOR



Leanne Barnes
GENERAL MANAGER



Lucas Scarpin
RESPONSIBLE ACCOUNTING OFFICER

Bega Valley Shire Council

Income Statement

for the financial year ended 30 June 2013

Budget 2013	⁽¹⁾ \$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
41,704	Rates & Annual Charges	3a	41,281	38,754
12,033	User Charges & Fees	3b	12,111	13,609
1,554	Interest & Investment Revenue	3c	2,665	2,762
660	Other Revenues	3d	644	535
23,335	Grants & Contributions provided for Operating Purposes	3e,f	23,289	25,667
2,343	Grants & Contributions provided for Capital Purposes	3e,f	3,627	5,734
Other Income:				
-	Net gains from the disposal of assets	5	-	930
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
81,629	Total Income from Continuing Operations		83,617	87,991
Expenses from Continuing Operations				
24,223	Employee Benefits & On-Costs	4a	25,426	25,949
2,059	Borrowing Costs	4b	2,034	2,172
30,378	Materials & Contracts	4c	26,842	27,070
23,237	Depreciation & Amortisation	4d	23,237	18,839
-	Impairment	4d	-	-
5,867	Other Expenses	4e	5,503	5,073
-	Net Losses from the Disposal of Assets	5	64	-
85,764	Total Expenses from Continuing Operations		83,106	79,103
(4,135)	Operating Result from Continuing Operations		511	8,888
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(4,135)	Net Operating Result for the Year		511	8,888
(4,135)	Net Operating Result attributable to Council		511	8,888
-	Net Operating Result attributable to Non-controlling Interests		-	-
(6,478)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(3,116)	3,154

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

Bega Valley Shire Council

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

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		511	8,888
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	35,822	120,775
Total Items which will not be reclassified subsequently to the Operating Result		35,822	120,775
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		35,822	120,775
Total Comprehensive Income for the Year		36,333	129,663
Total Comprehensive Income attributable to Council		36,333	129,663
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Bega Valley Shire Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	59,400	52,684
Investments	6b	-	1,132
Receivables	7	6,358	9,967
Inventories	8	591	469
Other	8	537	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		66,886	64,252
Non-Current Assets			
Investments	6b	-	-
Receivables	7	61	76
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	972,419	936,078
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		972,480	936,154
TOTAL ASSETS		1,039,366	1,000,406
LIABILITIES			
Current Liabilities			
Payables	10	6,705	5,778
Borrowings	10	2,453	2,322
Provisions	10	6,961	6,639
Total Current Liabilities		16,119	14,739
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	30,767	29,221
Provisions	10	4,939	5,238
Total Non-Current Liabilities		35,706	34,459
TOTAL LIABILITIES		51,825	49,198
Net Assets		987,541	951,208
EQUITY			
Retained Earnings	20	546,000	545,489
Revaluation Reserves	20	441,541	405,719
Council Equity Interest		987,541	951,208
Non-controlling Interests		-	-
Total Equity		987,541	951,208

Bega Valley Shire Council

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

\$ '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 Movements	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

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

Bega Valley Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
43,069	Rates & Annual Charges		41,392	39,005
17,650	User Charges & Fees		11,965	15,430
642	Investment & Interest Revenue Received		2,765	2,649
22,816	Grants & Contributions		30,819	33,316
-	Bonds, Deposits & Retention amounts received		767	69
921	Other		6,044	2,053
Payments:				
(27,156)	Employee Benefits & On-Costs		(25,249)	(25,892)
(31,937)	Materials & Contracts		(32,367)	(29,063)
(2,048)	Borrowing Costs		(2,044)	(2,144)
(6,630)	Other		(6,391)	(7,691)
17,327	Net Cash provided (or used in) Operating Activities	11b	27,701	27,732
Cash Flows from Investing Activities				
Receipts:				
1,750	Sale of Infrastructure, Property, Plant & Equipment		1,174	2,509
-	Deferred Debtors Receipts		21	25
Payments:				
-	Purchase of Investment Securities		1,132	4,140
(22,709)	Purchase of Infrastructure, Property, Plant & Equipment		(24,994)	(20,630)
-	Deferred Debtors & Advances Made		5	(8)
(20,959)	Net Cash provided (or used in) Investing Activities		(22,662)	(13,964)
Cash Flows from Financing Activities				
Receipts:				
1,500	Proceeds from Borrowings & Advances		4,000	1,000
Payments:				
(2,325)	Repayment of Borrowings & Advances		(2,323)	(2,351)
(825)	Net Cash Flow provided (used in) Financing Activities		1,677	(1,351)
(4,457)	Net Increase/(Decrease) in Cash & Cash Equivalents		6,716	12,417
40,365	plus: Cash & Cash Equivalents - beginning of year	11a	52,684	40,267
35,908	Cash & Cash Equivalents - end of the year	11a	59,400	52,684
Additional Information:				
	plus: Investments on hand - end of year	6b	-	1,132
	Total Cash, Cash Equivalents & Investments		59,400	53,816

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 2013

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n/a - not applicable

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

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

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

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

(i) The Consolidated Fund

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

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

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

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

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

Note:

The 2012/13 figures were not available at the time of preparation of council's financial statements. The above figures reflect the 2010/11 position.

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

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

(iv) County Councils

Council is not a member of any County Councils.

(v) Additional Information

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

(d) Leases

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

Finance Leases

Council has no finance leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

(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.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**"

category are included in the income statement in the period in which they arise.

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

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

Impairment

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

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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

(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 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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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.

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

Acquisition of assets

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

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

- **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)

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

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- 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
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Building

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

Other Structures	> \$10,000
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Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 the entity that has been disposed of or is classified as "held for sale" and that represents a separate major

line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(s) Impairment of assets

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

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

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

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

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.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

(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 time value of money and the risks specific to the liability.

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 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 2013 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a)

The amount of additional contributions included in the total employer contribution advised above is \$871,013.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,633,680 as at 30 June 2013.

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

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

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(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.

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

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

Council has not adopted any of these standards early.

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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

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

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

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

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

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

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

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

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

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

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

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

Applicable to Local Government but no implications for Council;

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

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

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

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

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

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

Bega Valley Shire Council

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

Note 1. Summary of Significant Accounting Policies

settlement systems may be considered equivalent to net settlement.

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

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

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

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

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard 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 2013

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 2014.

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

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

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

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

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

AASB 101 - clarifies that a third statement of financial position is required when the opening

statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

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

AASB 134 - provides clarification about segment reporting.

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

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	2	9	4	2,652	1,320	2,461	(2,650)	(1,311)	(2,457)	-	597	2,130	10,038
Administration	515	702	598	3,258	8,185	3,195	(2,743)	(7,483)	(2,597)	59	330	67,969	52,000
Public Order & Safety	895	1,082	1,411	1,957	1,916	1,871	(1,062)	(834)	(460)	709	975	1,727	1,714
Health	119	118	77	522	209	483	(403)	(91)	(406)	38	-	-	-
Environment	8,441	8,824	8,476	9,053	9,263	8,617	(612)	(439)	(141)	227	326	24,088	12,904
Community Services & Education	3,758	3,711	3,774	4,547	4,559	4,032	(789)	(848)	(258)	2,903	2,136	4,134	4,800
Housing & Community Amenities	933	927	877	3,368	2,954	2,891	(2,435)	(2,027)	(2,014)	409	-	29,545	23,000
Water Supplies	10,313	9,165	13,074	10,875	11,540	10,477	(562)	(2,375)	2,597	302	1,800	200,151	199,316
Sewerage Services	15,051	15,475	15,227	17,182	16,619	14,223	(2,131)	(1,144)	1,004	124	120	193,970	192,053
Recreation & Culture	624	1,402	1,208	3,860	4,939	4,988	(3,236)	(3,537)	(3,780)	696	824	97,833	80,000
Mining, Manufacturing & Construction	1,017	1,157	1,509	1,419	1,034	2,262	(402)	123	(753)	-	-	84	400
Transport & Communication	13,472	13,834	12,676	24,953	19,498	22,108	(11,481)	(5,664)	(9,432)	13,150	11,796	417,735	424,181
Economic Affairs	854	646	1,747	2,118	1,070	1,495	(1,264)	(424)	252	61	-	-	-
Total Functions & Activities	55,994	57,052	60,658	85,764	83,106	79,103	(29,770)	(26,054)	(18,445)	18,678	18,904	1,039,366	1,000,406
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	25,635	26,565	27,333	-	-	-	25,635	26,565	27,333	6,886	8,860	-	-
Operating Result from Continuing Operations	81,629	83,617	87,991	85,764	83,106	79,103	(4,135)	511	8,888	25,564	27,764	1,039,366	1,000,406

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 2013

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, 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, 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, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		14,894	14,099
Farmland		1,718	1,639
Business		1,966	1,837
Total Ordinary Rates		18,578	17,575
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		6,081	5,832
Stormwater Management Services		280	277
Water Supply Services		2,665	2,534
Sewerage Services		13,024	12,141
Drainage		-	-
Waste Management Services (non-domestic)		653	395
Total Annual Charges		22,703	21,179
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>41,281</u>	<u>38,754</u>

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

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,085	5,713
Sewerage Services		1,238	1,350
Total User Charges		6,323	7,063
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,411	1,568
Private Works - Section 67		577	705
Regulatory Fees		69	27
Section 149 Certificates (EPA Act)		112	110
Section 603 Certificates		62	62
Tapping Fees		140	115
Total Fees & Charges - Statutory/Regulatory		2,371	2,587
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Cemeteries		214	195
Child Care		738	688
Committee Funds		4	21
Community Centres		113	-
Food Shop Inspections		76	72
Gravel Pits		200	537
Lease Rentals		270	323
Leaseback Fees - Council Vehicles		265	259
Library & Art Gallery		16	38
Planning & Building - discretionary		43	57
Refuse & Effluent Disposal		21	29
Recycling Income (Non Domestic)		98	401
Sundry Sales		71	-
Swimming Centres		65	-
Waste Disposal Tipping Fees		1,217	1,102
Other		6	237
Total Fees & Charges - Other		3,417	3,959
TOTAL USER CHARGES & FEES		12,111	13,609

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		205	197
- Interest earned on Investments (interest & coupon payment income)		2,356	2,525
- Interest & Dividend Income (Other)		99	35
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		5	5
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,665</u>	<u>2,762</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		205	79
General Council Cash & Investments		896	933
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		115	141
- Section 64		310	359
Water Fund Operations		511	633
Sewerage Fund Operations		600	584
Domestic Waste Management operations		28	33
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,665</u>	<u>2,762</u>
(d) Other Revenues			
Fines		85	48
Fines - Parking		-	62
Legal Fees Recovery - Rates & Charges (Extra Charges)		322	262
Legal Fees Recovery - Other		15	-
Commissions & Agency Fees		-	-
Fundraising & donations		5	2
Insurance Claim Recoveries		133	-
Insurance Rebate discount		-	19
Sales - General		84	95
Other		-	47
<u>TOTAL OTHER REVENUE</u>		<u>644</u>	<u>535</u>

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,809	6,269	-	-
Financial Assistance - Local Roads Component	1,725	2,192	-	-
Pensioners' Rates Subsidies - General Component	352	399	-	-
Total General Purpose	6,886	8,860	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	142	138	-	-
- Sewerage	124	120	-	-
- Domestic Waste Management	153	86	-	-
Water Supplies	90	-	70	1,662
Bushfire & Emergency Services	560	565	216	410
Child Care	1,432	1,395	-	-
Community Care	1,426	1,592	-	1
Economic Development	60	-	-	-
Employment & Training Programs	-	11	-	-
Environmental Protection	55	65	-	-
Flood Restoration	8,929	8,254	-	-
Heritage & Cultural	31	5	-	-
Library	117	128	-	136
Noxious Weeds	126	174	-	-
Recreation & Culture	16	31	300	598
Sporting Ground	347	-	-	21
Street Lighting	34	33	-	-
Transport (Roads to Recovery)	-	-	1,244	658
Transport (Other Roads & Bridges Funding)	2,162	2,007	852	515
Waste	17	14	-	-
Wharves and Jetties	8	-	-	260
Youth	-	25	-	-
Planning	97	-	-	-
Regulatory	32	-	-	-
Health	38	-	-	-
Total Specific Purpose	15,996	14,643	2,682	4,261
Total Grants	22,882	23,503	2,682	4,261
Grant Revenue is attributable to:				
- Commonwealth Funding	10,392	8,803	1,314	2,320
- State Funding	13,060	14,103	798	1,941
	22,882	23,503	2,682	4,261

Bega Valley Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	239	293
S 64 - Water Supply Contributions	-	-	242	344
S 64 - Sewerage Service Contributions	-	-	246	279
Total Developer Contributions	17 -	-	727	916
Other Contributions:				
Administration	124	173	-	-
Airport	46	574	-	-
Bushfire Services	115	97	-	-
Community Services	63	36	-	-
Library	39	95	5	-
Recreation & Culture	3	-	10	-
Roads & Bridges	-	-	102	-
Sewerage (excl. Section 64 contributions)	-	-	94	557
Sporting Ground	-	4	7	-
Tourism	6	-	-	-
Water Supplies (excl. Section 64 contributions)	-	1,182	-	-
Other	11	3	-	-
Total Other Contributions	407	2,164	218	557
Total Contributions	407	2,164	945	1,473
TOTAL GRANTS & CONTRIBUTIONS	23,289	25,667	3,627	5,734

\$ '000	Actual 2013	Actual 2012
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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	10,656	7,752
add: Grants & contributions recognised in the current period but not yet spent:	2,232	17,432
less: Grants & contributions recognised in a previous reporting period now spent:	(3,349)	(14,528)

Net Increase (Decrease) in Restricted Assets during the Period **(1,117)** **2,904**

Unexpended and held as Restricted Assets **9,539** **10,656**

Comprising:

- Specific Purpose Unexpended Grants	1,470	1,411
- Developer Contributions	8,069	9,245
	9,539	10,656

Bega Valley Shire Council

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

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		18,267	19,295
Travelling		276	259
Employee Leave Entitlements (ELE)		3,310	2,888
Superannuation		2,376	2,272
Workers' Compensation Insurance		904	965
Fringe Benefit Tax (FBT)		17	17
Payroll Tax		259	251
Training Costs (other than Salaries & Wages)		580	589
Protective Clothing		13	89
Other		133	70
Total Employee Costs		26,135	26,695
less: Capitalised Costs		(709)	(746)
TOTAL EMPLOYEE COSTS EXPENSED		25,426	25,949
Number of "Equivalent Full Time" Employees at year end		299	311
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		356	330
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,026	2,125
Interest on Advances		8	9
Total Interest Bearing Liability Costs Expensed		2,034	2,134
(ii) Other Borrowing Costs			
Fair Value Adjustments on Recognition of Advances & Deferred Debtors			
- Interest Free (or favourable) Loans and Advances made by Council		-	13
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	-	25
Total Other Borrowing Costs		-	38
TOTAL BORROWING COSTS EXPENSED		2,034	2,172

Bega Valley Shire Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		22,159	22,027
Contractor & Consultancy Costs		3,532	3,355
- Dept Commerce/Services		-	646
Auditors Remuneration ⁽¹⁾		61	48
Legal Expenses:			
- Legal Expenses: Planning & Development		26	74
- Legal Expenses: Debt Recovery		339	240
- Legal Expenses: Other		245	222
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		480	458
Total Materials & Contracts		26,842	27,070
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		26,842	27,070
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		58	48
- Audit & review of financial statements: Other Consolidated Entity Auditors		3	-
Remuneration for audit and other assurance services		61	48
Total Auditor Remuneration		61	48
2. Operating Lease Payments are attributable to:			
Computers		480	458
		480	458

Bega Valley Shire Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,768	1,467
Office Equipment		-	-	73	76
Furniture & Fittings		-	-	1	-
Land Improvements (depreciable)		-	-	324	361
Buildings - Specialised		-	-	2,115	2,098
Other Structures		-	-	72	57
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,956	8,003
- Stormwater Drainage		-	-	331	329
- Water Supply Network		-	-	4,046	2,431
- Sewerage Network		-	-	6,438	3,883
Other Assets					
- Library Books		-	-	73	93
Asset Reinstatement Costs	9 & 26	-	-	40	41
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,237	18,839

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Advertising		137	109
Bad & Doubtful Debts		24	14
Bank Charges		126	105
Cleaning		186	172
Computer Software Charges		460	526
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		54	47
- NSW Fire Brigade Levy		64	65
- NSW Rural Fire Service Levy		475	497
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		179	156
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		68	57
Donations, Contributions & Assistance to other organisations (Section 356)		202	-
Electricity & Heating		737	879
Fire Control Expenses		466	276
Insurance		774	759
Office Expenses (including computer expenses)		154	194
Postage		75	50
Printing & Stationery		209	112
Street Lighting		306	278
Subscriptions & Publications		111	-
Telephone & Communications		292	184
Tourism Expenses (excluding employee costs)		263	272
Valuation Fees		104	97
Other		-	188
<u>TOTAL OTHER EXPENSES</u>		<u>5,503</u>	<u>5,073</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	800
less: Carrying Amount of Property Assets Sold / Written Off		-	(2)
Net Gain/(Loss) on Disposal		-	798
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,174	1,709
less: Carrying Amount of P&E Assets Sold / Written Off		(1,238)	(1,577)
Net Gain/(Loss) on Disposal		(64)	132
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(64)</u>	<u>930</u>

Bega Valley Shire Council

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

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

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		400	-	1,463	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,000	-	1,280	-
- Short Term Deposits		55,000	-	49,941	-
Total Cash & Cash Equivalents		59,400	-	52,684	-
Investments (Note 6b)					
- Long Term Deposits		-	-	1,132	-
Total Investments		-	-	1,132	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		59,400	-	53,816	-

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"		59,400	-	52,684	-
Investments					
b. "Held to Maturity"	6(b-ii)	-	-	1,132	-
Investments		-	-	1,132	-

**Note 6(b-i)
Reconciliation of Investments classified as
"At Fair Value through the Profit & Loss"**

Additions	-	(1,132)	-	-
Disposals (sales & redemptions)	-	1,132	-	-
Balance at End of Year	-	-	-	-

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

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

Comprising:

- Other Long Term Financial Assets	-	-	1,132	-
Total	-	-	1,132	-

Bega Valley Shire Council

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

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

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Total Cash, Cash Equivalents and Investments	59,400	-	53,816	-
attributable to:				
External Restrictions (refer below)	39,234	-	35,601	-
Internal Restrictions (refer below)	18,197	-	16,169	-
Unrestricted	1,969	-	2,046	-
	59,400	-	53,816	-

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

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	191	-	-	191
External Restrictions - Included in Liabilities	191	-	-	191

External Restrictions - Other

Developer Contributions - General (D)	2,492	1,152	(1,748)	1,896
Developer Contributions - Water Fund (D)	4,288	-	(60)	4,228
Developer Contributions - Sewer Fund (D)	2,465	-	(520)	1,945
Specific Purpose Unexpended Grants (F)	1,411	59	-	1,470
Water Supplies (G)	9,932	479	-	10,411
Sewerage Services (G)	9,543	3,307	-	12,850
Domestic Waste Management (G)	5,238	964	-	6,202
Tathra Beach Estate	41	-	-	41
External Restrictions - Other	35,410	5,961	(2,328)	39,043
Total External Restrictions	35,601	5,961	(2,328)	39,234

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 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	141	1,340	-	1,481
Infrastructure Replacement	950	114	-	1,064
Employees Leave Entitlement	1,968	55	-	2,023
Carry Over Works	-	782	-	782
Cemetery Improvements	59	-	(30)	29
Childcare services (excl. ELE shown above)	647	-	(53)	594
Construction of Building	94	-	(30)	64
Computer Reserve	300	77	-	377
Election Expenses	165	-	(127)	38
Environmental Management	164	42	-	206
Former Sec 355 Committees	569	32	-	601
Gravel Pit Operations	489	-	(74)	415
Operational Examination Contingency	191	-	-	191
Other Waste Management	909	-	(245)	664
Other Airport	1,464	-	(923)	541
Park Improvements	283	300	-	583
Property Development	4,005	-	(31)	3,974
Saleyards	87	-	(5)	82
Sporting Facilities	47	175	-	222
Sportsground sv Reserve	122	234	-	356
FAG funds paid in advance	3,452	3,454	(3,452)	3,454
Workforce strategy (cadets & trainees)	-	283	-	283
Energy Efficiency Fund	-	125	-	125
Brighter Futures Vehicle Reserve	-	30	-	30
Other	63	-	(45)	18
Total Internal Restrictions	16,169	7,043	(5,015)	18,197
TOTAL RESTRICTIONS	51,770	13,004	(7,343)	57,431

Bega Valley Shire Council

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

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,736	-	1,847	-
Interest & Extra Charges		203	-	246	-
User Charges & Fees		1,195	-	1,317	-
Private Works		1,429	-	1,075	-
Accrued Revenues					
- Interest on Investments		250	-	312	-
- Other Income Accruals		-	-	1,753	-
Government Grants & Subsidies		1,473	-	3,020	-
Deferred Debtors		37	61	43	76
Net GST Receivable		271	-	567	-
Total		6,594	61	10,180	76
less: Provision for Impairment					
User Charges & Fees		(236)	-	(213)	-
Total Provision for Impairment - Receivables		(236)	-	(213)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,358</u>	<u>61</u>	<u>9,967</u>	<u>76</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		94	-	156	-
- Other		1,030	-	1,803	-
Sewerage Services					
- Specific Purpose Grants		18	-	17	-
- Rates & Availability Charges		379	-	487	-
- Other		271	-	401	-
Total External Restrictions		1,792	-	2,864	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,566	61	7,103	76
TOTAL NET RECEIVABLES		6,358	61	9,967	76

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Bega Valley Shire Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		69	-	69	-
Stores & Materials		468	-	350	-
Trading Stock		4	-	-	-
Loose Tools		50	-	50	-
Total Inventories		591	-	469	-
Other Assets					
Prepayments		537	-	-	-
Total Other Assets		537	-	-	-
TOTAL INVENTORIES / OTHER ASSETS		1,128	-	469	-
Externally Restricted Assets					
Water					
Stores & Materials		144	-	118	-
Total Water		144	-	118	-
Sewerage					
Stores & Materials		9	-	8	-
Total Sewerage		9	-	8	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		153	-	126	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		975	-	343	-
TOTAL INVENTORIES & OTHER ASSETS		1,128	-	469	-

Bega Valley Shire Council

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

Note 8. Inventories & Other Assets (continued)

\$ '000	2013		2012	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	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 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	Reinstatement Costs for Impaired Assets	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	-	7	-	-	7	6,915	-	-	-	(7)	-	-	6,915	-	-	6,915
Plant & Equipment	-	17,630	7,274	-	10,356	1,461	-	(1,238)	(1,768)	-	-	-	16,724	7,913	-	8,811
Office Equipment	-	3,042	2,839	-	203	-	-	-	(73)	-	-	-	3,042	2,912	-	130
Furniture & Fittings	-	243	242	-	1	-	-	-	(1)	-	-	-	243	243	-	-
Land:																
- Operational Land	-	25,857	-	-	25,857	-	-	-	-	-	2,951	-	28,808	-	-	28,808
- Community Land	-	65,207	-	-	65,207	1,356	-	-	-	-	-	-	66,563	-	-	66,563
Land Improvements - depreciable	-	18,539	4,719	-	13,820	277	-	-	(324)	-	-	-	18,816	5,043	-	13,773
Buildings - Specialised	-	75,641	42,355	-	33,286	580	-	-	(2,115)	7	23,879	-	67,435	11,798	-	55,637
Other Structures	-	2,506	716	-	1,790	818	-	-	(72)	-	-	-	3,324	788	-	2,536
Infrastructure:																
- Roads, Bridges, Footpaths	-	489,510	215,495	3,190	270,825	5,678	3,190	-	(7,956)	-	-	-	495,189	223,452	-	271,737
- Bulk Earthworks (non-depreciable)	-	130,467	-	-	130,467	267	-	-	-	-	-	-	130,734	-	-	130,734
- Stormwater Drainage	-	33,132	8,991	-	24,141	279	-	-	(331)	-	-	-	33,411	9,322	-	24,089
- Water Supply Network	-	279,820	98,019	-	181,801	1,880	-	-	(4,046)	-	4,545	-	288,695	104,515	-	184,180
- Sewerage Network	-	266,693	88,816	-	177,877	2,214	-	-	(6,438)	-	4,447	-	275,574	97,474	-	178,100
Other Assets:																
- Library Books	-	1,698	1,298	-	400	79	-	-	(73)	-	-	-	1,776	1,370	-	406
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Tip Asset	-	3,809	3,769	-	40	-	-	-	(40)	-	-	-	3,809	3,809	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	1,413,801	474,533	3,190	936,078	21,804	3,190	(1,238)	(23,237)	-	35,822	-	1,441,058	468,639	-	972,419

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$16,322) and New Assets (\$5,482). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Bega Valley Shire Council

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

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

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	120	57	63	-	156	35	121
Land								
- Operational Land	-	-	-	-	-	1,431	-	1,431
Buildings	-	-	-	-	-	368	189	179
Infrastructure	-	288,695	104,515	184,180	-	278,636	98,050	180,586
Total Water Supply	-	288,815	104,572	184,243	-	280,591	98,274	182,317
Sewerage Services								
Plant & Equipment	-	1,058	660	398	-	207	61	146
Land								
- Operational Land	-	-	-	-	-	722	-	722
Buildings	-	-	-	-	-	89	42	47
Infrastructure	-	275,574	97,473	178,101	-	267,580	89,363	178,217
Total Sewerage Services	-	276,632	98,133	178,499	-	268,598	89,466	179,132
Domestic Waste Management								
Plant & Equipment	-	-	-	-	-	67	26	41
Land								
- Operational Land'	-	2,685	-	2,685	-	2,096	-	2,096
- Improvements non-depreciable	-	4,781	200	4,581	-	4,781	200	4,581
Other Assets	-	3,808	3,808	-	-	3,809	3,768	41
Total DWM	-	11,274	4,008	7,266	-	10,753	3,994	6,759
TOTAL RESTRICTED I,PP&E	-	576,721	206,713	370,008	-	559,942	191,734	368,208

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 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,432	-	4,009	-
Payments Received In Advance		539	-	595	-
Accrued Expenses:					
- Borrowings		272	-	282	-
- Salaries & Wages		675	-	521	-
Security Bonds, Deposits & Retentions		1,138	-	371	-
ATO - Net GST Payable		(351)	-	-	-
Total Payables		6,705	-	5,778	-
Borrowings					
Loans - Secured ¹		2,453	30,767	2,312	29,126
Government Advances		-	-	10	95
Total Borrowings		2,453	30,767	2,322	29,221
Provisions					
Employee Benefits;					
Annual Leave		2,247	-	2,164	-
Long Service Leave		4,609	261	4,372	560
Other Leave		105	-	103	-
Sub Total - Aggregate Employee Benefits		6,961	261	6,639	560
Asset Remediation/Restoration (Future Works)	26	-	4,678	-	4,678
Total Provisions		6,961	4,939	6,639	5,238
Total Payables, Borrowings & Provisions		16,119	35,706	14,739	34,459

(i) Liabilities relating to Restricted Assets

	2013		2012	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	520	7	1,128	26
Sewer	1,832	22,628	1,629	23,299
Liabilities relating to externally restricted assets	2,352	22,635	2,757	23,325
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	2,352	22,635	2,757	23,325
Total Liabilities relating to Unrestricted Assets	13,767	13,071	11,982	11,134
TOTAL PAYABLES, BORROWINGS & PROVISIONS	16,119	35,706	14,739	34,459

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 2013

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

	Actual 2013	Actual 2012
\$ '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	3,500	4,384
	3,500	4,384

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	2,164	83	-	-	-	2,247
Long Service Leave	4,932	(62)	-	-	-	4,870
Other Leave	103	2	-	-	-	105
Asset Remediation	4,678	-	-	-	-	4,678
TOTAL	11,877	23	-	-	-	11,900

- 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 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	59,400	52,684
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		59,400	52,684
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		511	8,888
Adjust for non cash items:			
Depreciation & Amortisation		23,237	18,839
Net Losses/(Gains) on Disposal of Assets		64	(930)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Interest Free Advances made by Council (Deferred Debtors)		-	13
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(5)	(5)
Unwinding of Discount Rates on Reinstatement Provisions		-	25
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		3,580	(162)
Increase/(Decrease) in Provision for Doubtful Debts		23	89
Decrease/(Increase) in Inventories		(122)	85
Decrease/(Increase) in Other Assets		(537)	494
Increase/(Decrease) in Payables		423	(612)
Increase/(Decrease) in accrued Interest Payable		(10)	(10)
Increase/(Decrease) in other accrued Expenses Payable		154	287
Increase/(Decrease) in Other Liabilities		360	360
Increase/(Decrease) in Employee Leave Entitlements		23	371
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		27,701	27,732
(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		50	50
Total Financing Arrangements		1,050	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 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		5,500	-
Land Purchase		-	1,350
Infrastructure renewal tarmac		800	-
Central Waste Facility		2,000	-
Total Commitments		8,300	1,350
These expenditures are payable as follows:			
Within the next year		6,800	1,350
Later than one year and not later than 5 years		1,500	-
Total Payable		8,300	1,350
Sources for Funding of Capital Commitments:			
Sect 64 & 94 Funds/Reserves		300	-
Externally Restricted Reserves		2,000	-
Internally Restricted Reserves		3,500	1,350
New Loans (to be raised)		2,500	-
Total Sources of Funding		8,300	1,350

(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	187	223
Later than one year and not later than 5 years	493	267
Total Non Cancellable Operating Lease Commitments	680	490

b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles, Heavy Plant, Office Rentals.....

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 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	25,707	2.50 : 1	2.92	2.78
Current Liabilities less Specific Purpose Liabilities ^(2,3)	10,267			
2. Debt Service Ratio				
Debt Service Cost	4,262	6.70%	6.80%	7.93%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	63,587			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	41,281	49.37%	44.04%	43.95%
Income from Continuing Operations	83,617			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,939	4.42%	5.06%	5.49%
Rates, Annual & Extra Charges Collectible	43,901			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	16,322	78.15%	81.84%	82.41%
Depreciation, Amortisation & Impairment	20,886			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).


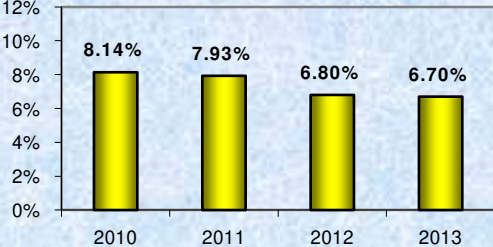
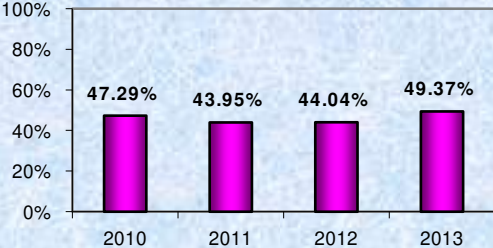


⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

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

Bega Valley Shire Council

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

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

<p>1. Unrestricted Current Ratio</p>  <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2010</td><td>2.50</td></tr><tr><td>2011</td><td>2.78</td></tr><tr><td>2012</td><td>2.92</td></tr><tr><td>2013</td><td>2.50</td></tr></table>	Year	Ratio : 1	2010	2.50	2011	2.78	2012	2.92	2013	2.50	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.50 : 1</p> <p>Is greater than the 2:1 ratio considered to be a suitable target by the Division of Local Government to meet short term obligations</p>
Year	Ratio : 1											
2010	2.50											
2011	2.78											
2012	2.92											
2013	2.50											
<p>2. Debt Service Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>8.14%</td></tr><tr><td>2011</td><td>7.93%</td></tr><tr><td>2012</td><td>6.80%</td></tr><tr><td>2013</td><td>6.70%</td></tr></table>	Year	Ratio %	2010	8.14%	2011	7.93%	2012	6.80%	2013	6.70%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 6.70%</p> <p>Any ratio under 20% is considered acceptable by the DLG. Council's Long Term Financial Plan outlines a scenario which will see council draw down more debt to enable a reduction in infrastructure backlog as well as the construction of some community priority projects</p>
Year	Ratio %											
2010	8.14%											
2011	7.93%											
2012	6.80%											
2013	6.70%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>47.29%</td></tr><tr><td>2011</td><td>43.95%</td></tr><tr><td>2012</td><td>44.04%</td></tr><tr><td>2013</td><td>49.37%</td></tr></table>	Year	Ratio %	2010	47.29%	2011	43.95%	2012	44.04%	2013	49.37%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 49.37%</p> <p>This is just below the recommended upper target of 50% set by the DLG. An integral part of Council's adopted Long Term Financial Plan is to attempt to increase its own source revenues. It is council's intention to see this ratio decrease.</p>
Year	Ratio %											
2010	47.29%											
2011	43.95%											
2012	44.04%											
2013	49.37%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>5.38%</td></tr><tr><td>2011</td><td>5.49%</td></tr><tr><td>2012</td><td>5.06%</td></tr><tr><td>2013</td><td>4.42%</td></tr></table>	Year	Ratio %	2010	5.38%	2011	5.49%	2012	5.06%	2013	4.42%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 4.42%</p> <p>Debt recovery efforts are keeping this below the DLG target of 6%. It is critical that Council keep this ratio as low as possible to aid with Council's cashflow.</p>
Year	Ratio %											
2010	5.38%											
2011	5.49%											
2012	5.06%											
2013	4.42%											
<p>5. Building & Infrastructure Renewals Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>88.50%</td></tr><tr><td>2011</td><td>82.41%</td></tr><tr><td>2012</td><td>81.84%</td></tr><tr><td>2013</td><td>78.15%</td></tr></table>	Year	Ratio %	2010	88.50%	2011	82.41%	2012	81.84%	2013	78.15%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 78.15%</p> <p>This ratio has not yet reached the DLG target of 100% but under Council's adopted Long Term Financial Plan renewals are expected to increase significantly over the next 10 years to reduce its infrastructure backlog.</p>
Year	Ratio %											
2010	88.50%											
2011	82.41%											
2012	81.84%											
2013	78.15%											

Bega Valley Shire Council

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

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	22.46 : 1	7.38 : 1	2.50 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	10.65	6.42	2.91
2. Debt Service Ratio			
Debt Service Cost	0.07%	15.32%	4.87%
Income from Continuing Operations			
(excl. Capital Items & Specific Purpose Grants/Contributions)	prior period: 0.12%	15.59%	5.11%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	27.61%	84.13%	43.76%
Income from Continuing Operations			
prior period:	19.38%	79.76%	40.33%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	3.53%	2.91%	5.20%
Rates, Annual & Extra Charges Collectible			
prior period:	6.12%	3.99%	5.44%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	42.14%	24.87%	125.13%
Depreciation, Amortisation & Impairment			
prior period:	79.72%	29.20%	101.93%

Notes

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

Bega Valley Shire Council

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

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	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	59,400	52,684	59,400	52,684
Investments				
- "Held to Maturity"	-	1,132	-	1,132
Receivables	6,419	10,043	6,419	10,043
Total Financial Assets	65,819	63,859	65,819	63,859
Financial Liabilities				
Payables	6,166	5,183	6,166	5,183
Loans / Advances	33,220	31,543	33,220	31,543
Total Financial Liabilities	39,386	36,726	39,386	36,726

Fair Value is determined as follows:

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

Bega Valley Shire Council

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

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 its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the 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
2013				
Possible impact of a 1% movement in Interest Rates	539	539	539	539
2012				
Possible impact of a 1% movement in Interest Rates	439	439	(439)	(439)

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	235	-	7,737
Past due by up to 30 days	851	1,737	867	236
Past due between 31 and 180 days	330	2,072	369	38
Past due between 181 and 365 days	312	875	337	398
Past due by more than 1 year	243	-	274	-
	1,736	4,919	1,847	8,409
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			213	124
+ new provisions recognised during the year			23	108
- amounts already provided for & written off this year			-	(19)
Balance at the end of the year			236	213

Bega Valley Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
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
2012									
Trade/Other Payables	371	4,812	-	-	-	-	-	5,183	5,183
Loans & Advances	-	2,322	2,137	2,175	1,843	1,701	21,365	31,543	31,543
Total Financial Liabilities	371	7,134	2,137	2,175	1,843	1,701	21,365	36,726	36,726

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	6,166	0.0%	5,183	0.0%
Loans & Advances - Fixed Interest Rate	33,220	6.5%	31,543	6.8%
	<u>39,386</u>		<u>36,726</u>	

Bega Valley Shire Council

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

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 29 June 2012.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	41,704	41,281	(423)	(1%) U
User Charges & Fees	12,033	12,111	78	1% F
Interest & Investment Revenue	1,554	2,665	1,111	71% F
Short term surplus funds available for investment exceeded the initial estimate				
Other Revenues	660	644	(16)	(2%) U
Operating Grants & Contributions	23,335	23,289	(46)	(0%) U
Capital Grants & Contributions	2,343	3,627	1,284	55% F
Additional funds were received for cycleways and roads that were not included in the original budget				

Bega Valley Shire Council

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

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	24,223	25,426	(1,203)	(5%)	U
Borrowing Costs	2,059	2,034	25	1%	F
Materials & Contracts	30,378	26,842	3,536	12%	F
This is a favourable variation due to lower than anticipated expenditure overall					
Depreciation & Amortisation	23,237	23,237	-	0%	F
Other Expenses	5,867	5,503	364	6%	F
Net Losses from Disposal of Assets	-	64	(64)	0%	U

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

Cash Flows from Operating Activities	17,327	27,701	10,374	59.9%	F
This improved result in cash flows is mainly due to the reduced expenditure in materials and contracts					
Cash Flows from Investing Activities	(20,959)	(22,662)	(1,703)	8.1%	U
Cash Flows from Financing Activities	(825)	1,677	2,502	(303.3%)	F
The additional cash flow is due to additional funds being borrowed following successful LIRS applications - originally only \$1.5 million was planned to be borrowed but the actual amount was \$4 million					

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	586	104	-	27	(477)	-	240	-	(241)	(1)	-
Parking	904	91	-	44	-	-	1,039	120	(1,159)	-	-
Open Space	312	16	-	14	-	-	342	-	(342)	-	-
Community Facilities	560	27	-	24	(471)	-	140	-	(140)	-	-
S94 Contributions - under a Plan	2,362	238	-	109	(948)	-	1,761	120	(1,882)	(1)	-
Total S94 Revenue Under Plans	2,362	238	-	109	(948)	-	1,761				-
S94 not under Plans	128	1	-	6	-	-	135	-	(135)	-	-
S64 Contributions	6,755	488	-	310	(1,380)	-	6,173				
Total Contributions	9,245	727	-	425	(2,328)	-	8,069	120	(2,017)	(1)	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	455	79	-	21	(477)	-	78	-	(79)	(1)	-
Total	455	79	-	21	(477)	-	78	-	(79)	(1)	-

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	904	91	-	44	-	-	1,039	120	(1,159)	-	-
Total	904	91	-	44	-	-	1,039	120	(1,159)	-	-

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	312	16	-	14	-	-	342	-	(342)	-	-
Community Facilities	560	27	-	24	(471)	-	140	-	(140)	-	-
Total	872	43	-	38	(471)	-	482	-	(482)	-	-

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	36	25	-	2	-	-	63	-	(63)	-	-
Total	36	25	-	2	-	-	63	-	(63)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	22	-	-	1	-	-	23	-	(23)	-	-
Total	22	-	-	1	-	-	23	-	(23)	-	-

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	-	-	-	-	-	11	-	(11)	-	-
Total	11	-	-	-	-	-	11	-	(11)	-	-

CONTRIBUTION PLAN NUMBER 37

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	43	-	-	2	-	-	45	-	(45)	-	-
Total	43	-	-	2	-	-	45	-	(45)	-	-

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	15	-	-	1	-	-	16	-	(16)	-	-
Total	15	-	-	1	-	-	16	-	(16)	-	-

Bega Valley Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	128	1	-	6	-	-	135	-	(135)	-	-
Total	128	1	-	6	-	-	135	-	(135)	-	-

Bega Valley Shire Council

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

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Bega Valley Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) 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

Durng the period 1995 - 1997, a portion of Councils 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 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		545,489	536,601
a. Net Operating Result for the Year		511	8,888
Balance at End of the Reporting Period		546,000	545,489
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		441,541	405,719
Total		441,541	405,719
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		405,719	284,944
- Revaluations for the year	9(a)	35,822	120,775
- Balance at End of Year		441,541	405,719
TOTAL VALUE OF RESERVES		441,541	405,719

(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 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	2,665	13,024	25,592
User Charges & Fees	5,724	1,279	5,108
Interest & Investment Revenue	708	713	1,244
Other Revenues	11	-	633
Grants & Contributions provided for Operating Purposes	232	124	22,933
Grants & Contributions provided for Capital Purposes	312	340	2,975
Other Income			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	9,652	15,480	58,485
Expenses from Continuing Operations			
Employee Benefits & on-costs	781	666	23,979
Borrowing Costs	4	1,539	491
Materials & Contracts	6,674	7,930	12,238
Depreciation & Amortisation	4,063	6,516	12,658
Impairment	-	-	-
Other Expenses	-	-	5,503
Net Losses from the Disposal of Assets	17	17	30
Total Expenses from Continuing Operations	11,539	16,668	54,899
Operating Result from Continuing Operations	(1,887)	(1,188)	3,586
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(1,887)	(1,188)	3,586
Net Operating Result attributable to each Council Fund	(1,887)	(1,188)	3,586
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(2,199)	(1,528)	611

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 2013

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

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	14,639	14,795	29,966
Investments	-	-	-
Receivables	1,124	668	4,566
Inventories	144	9	438
Other	-	-	537
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	15,907	15,472	35,507
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	61
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	184,243	178,499	609,677
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	184,243	178,499	609,738
TOTAL ASSETS	200,150	193,971	645,245
LIABILITIES			
Current Liabilities			
Payables	309	969	5,427
Borrowings	3	655	1,795
Provisions	208	208	6,545
Total Current Liabilities	520	1,832	13,767
Non-Current Liabilities			
Payables	-	-	-
Borrowings	3	22,624	8,140
Provisions	4	4	4,931
Total Non-Current Liabilities	7	22,628	13,071
TOTAL LIABILITIES	527	24,460	26,838
Net Assets	199,623	169,511	618,407
EQUITY			
Retained Earnings	103,509	81,117	361,374
Revaluation Reserves	96,114	88,394	257,033
Total Equity	199,623	169,511	618,407

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 2013

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 Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 31/10/13.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is 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 2013

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
Council Tip 1	2014	1,295	1,295
Council Tip 2	2014	1,095	1,095
Council Tip 3	2010	2,288	2,288
Balance at End of the Reporting Period	10(a)	4,678	4,678

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	4,653
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	-	25
Total - Reinstatement, rehabilitation and restoration provision	4,678	4,678

Amount of Expected Reimbursements

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

Bega Valley Shire Council

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

Note 27. Council Information & Contact Details

Principal Place of Business:

Zingel Place
BEGA NSW 2550

Contact Details**Mailing Address:**

PO Box 492
BEGA NSW 2550

Opening Hours:

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

Telephone: 02 6499 2222

Facsimile: 02 6499 2200

Internet: www.begavalley.nsw.gov.au

Email: council@begavalley.nsw.gov.au

Officers**GENERAL MANAGER**

Leanne Barnes

RESPONSIBLE ACCOUNTING OFFICER

Lucas Scarpin

PUBLIC OFFICER

Nina Churchward

AUDITORS

RSM Bird Cameron Partners
GPO Box 5138
SYDNEY NSW 2001

Elected Members**MAYOR**

Councillor Bill Taylor

COUNCILLORS

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

Other Information

ABN: 26 987 935 332

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 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, and accompanying Notes to the Financial Statements and the Statement by Council and Management. The financial statements include the consolidated financial statements of the Council and the entities it controlled at year end or from time to time during the year.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projections disclosed in Note 17 and accordingly, we express no opinion on them.

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

**RSM Bird Cameron**

W E Beuman
Partner

29 October 2013

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

29 October 2013

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

Dear Councillor Taylor,

SECTION 417(3) REPORT ON THE CONDUCT OF THE 2013 AUDIT

We have completed our audit of the financial statements of Bega Valley Shire Council for the year ended 30 June 2013 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 2013 financial statements of Council are issued without qualification.

1. COUNCIL'S RESPONSIBILITY

The Council is responsible for preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

2. AUDIT SCOPE

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

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

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

3. FINANCIAL MANAGEMENT

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

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

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

4. FINANCIAL PERFORMANCE

The consolidated profit / (loss) for the year ended 30 June 2013 from ordinary continuing operations amounted to \$511K (2012: \$8,888). The activities of Council contributed to the consolidated operating result as follows:

	2013 \$000	2012 \$000
General Fund	4,030	5,288
Water Supply	(2,375)	2,596
Sewer Supply	(1,144)	1,004
Operating Result from continuing Operations	511	\$8,888

4.1 ORDINARY REVENUES

Decreased by \$4,374K (5%) to \$83,617K



i. Rates & Annual Charges increased \$2,527K (6.5%) to \$41,281K

This equates to 49% of revenues from continuing operations and compares with 44% in 2012.

- Ordinary rates amounted to \$18,578K and increased by 5.7%. This increase arose due to 2013 Local Government Index ('LGI') approved by IPART being 3.6% together with a decrease in pensioner concessions and other write offs. For 2014, the LGI rate increase approved by IPART is 3.4% and Council is estimating revenue from general rates net of rebates equal to \$19,372K.
- Annual Charges increased by \$1,524K to \$22,703K. This is an increase of 7.2% (2012 2.6%) and is consistent with the increase in the sewerage access charge in 2013 to \$1,045 from \$988 in 2012.

ii. User Charges & Fees decreased \$(1,498)K (16%) to \$12,111K

The most significant decreases occurred due to lower water usage sales \$(628)K, quarry gravel sales \$337K and scrap metal included in recycling income \$303K.

iii. Investment Revenues decreased by \$(97)K to \$(2,665)K

Council earned interest of \$2,356K on its investments this year a decrease of \$(169)K from 2012. At year end Council holds \$59,400K or 98% (2012 - \$52,684K or 98%) of its investments in short term deposits.

iv. Operating Grants and Contributions decreased by \$(2,378)K to \$23,289K

This continues to be a significant source of council's revenue equal to 28% of total income (2012 – 28%). The decrease arises due to the 2012 year including one off revenues associated with: an extra instalment of the Financial Assistance Grant ('FAG') being received; \$(1,182)K for the Yellow Pinch pipeline design claim settlement and \$(528)K payment of the balance of airport passenger levies. These decreases were offset by increases in grants received for flood restoration works \$675K and sporting grounds \$347K. The balance of grants and contributions received and recognised as income and remaining unspent at year end decreased by \$(1,117)K to \$9,539K (2012 increase \$2,904K).

4.2 EXPENSES FROM CONTINUING OPERATIONS

Increased by \$4,003K (5%) to \$83,106K



i. Employee Costs before amounts capitalised decreased \$(560)K (2%) to \$26,135K

Employee costs are equal to 44.8% of total expenses before depreciation and amortisation and compares with 44.9% in 2012.

ii. Depreciation & Amortisation expense increased \$4,398K to \$23,237K

Depreciation expense is a significant cost to Council representing 28% (2012 – 24%) of total ordinary expenses although, this does not involve any outflow of cash. This increase in 2013 follows the revaluation of Water and Sewerage infrastructure assets done in 2012.

iii. Materials & Contract costs decreased \$(228)K to \$26,842K

Last year includes expenses associated with rectification works carried out on the Yellow Pinch pipeline project which were not incurred in the current year.

4.3 CAPITAL INCOME

There was a decrease in Capital Grants & Contributions of \$(2,107)K to \$3,627K. This is as a result of completion of the Yellow Pinch pipeline project in 2012 as well as a decrease in Developer contributions of \$(189)K to \$727K. Contribution amounts were received for:

	2013 \$000	2012 \$000
Section 94 contributions	239	293
Section 64 water supply contributions	242	344
Section 64 sewer supply contributions	246	279
Total	\$727	\$916

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 \$1,896K relating to S.94 contributions and \$6,173K for unspent S.64 contributions, a net decrease of \$(1,176)K from 2012.

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 2013 Council's net current assets amounted to \$50,767K and its unrestricted current ratio is equal to 2.5, this compares with a ratio of 2.92 in 2012. 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 increased by \$5,584K to \$59,400K. Cash from operating activities amounted to \$27,701K, and was used to fund \$24,994K in acquisitions of infrastructure, property, plant and equipment and together with net new borrowings of \$1,677K accounted for this increase. The composition of cash and cash equivalents held by Council at year end is as follows:

	2013 \$000	2013 \$000
Cash	400	1,463
Deposits at call	4,000	1,280
Short term deposits (< 3 month maturity dates)	55,000	49,941
Long term deposits (> 3 month maturity dates)	-	1,132
Total	59,400	53,816

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

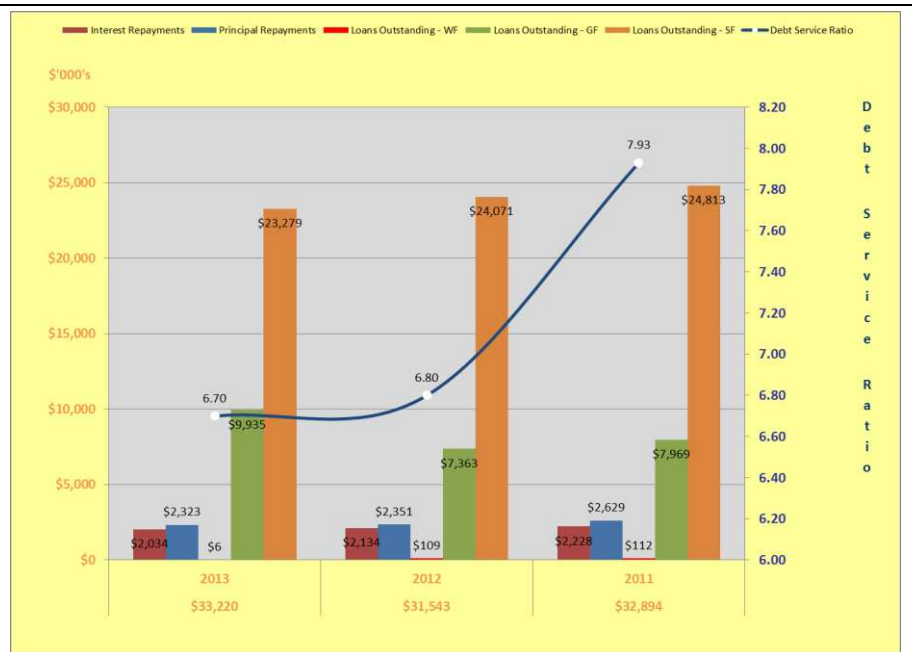
	2013 \$000	2012 \$000
Externally Restricted	39,234	35,601
Internally Restricted	18,197	16,169
Unrestricted	1,969	2,046
Total	59,400	\$53,816

- (c) External restrictions include the internal reserves in the Water and Sewer funds which amount to \$4,369K and \$12,850K respectively. Consequently, the Water and Sewer supply operations of Council account for \$29,434K or 75% (2012 – 74%) of all externally restricted cash and investment balances.
- (d) Internally restricted cash increased \$2,028K to \$18,197K. 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 – \$3,974K:** there was a net decrease in this reserve of \$(31)K this year. These funds are set aside by Council for strategic community projects including redevelopment of Littleton Gardens, Bega Town hall, etc.
 - ii. **FAG monies \$3,454K –** This represents 2014 instalments of FAG funding received in advance.
 - iii. **Employees leave entitlements – \$2,023K:** Council's provision for its liability for employee leave entitlements and associated on-costs amounted to \$7,222K. This cash reserve provides liquidity equal to 28% (2012 - 27%) of the total liability and provides a sufficient buffer to enable Council to meet any unbudgeted and unanticipated terminations;
 - iv. **Plant replacement – \$1481K:** increased by \$1,340K and will be used to fund major items of new plant;
 - v. **Airport Reserve – \$541K:** – decreased by \$(923)K used to fund capital works associated with renewal works of the airport tarmac.
 - vi. **Waste management – \$664K:** – decreased by \$245K used to fund future capital works associated with the Central Waste Facility.

**BEGA VALLEY SHIRE COUNCIL
2013 SECTION 417(3) AUDIT REPORT**

5.3 Debt Service: - 6.70% (2012 – 6.80%)

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



At year end Council has outstanding borrowings of \$33,220K after net new borrowings of \$1,677K in 2013. There are loans raised and unexpended at year-end of \$191K which is unchanged from 2011.

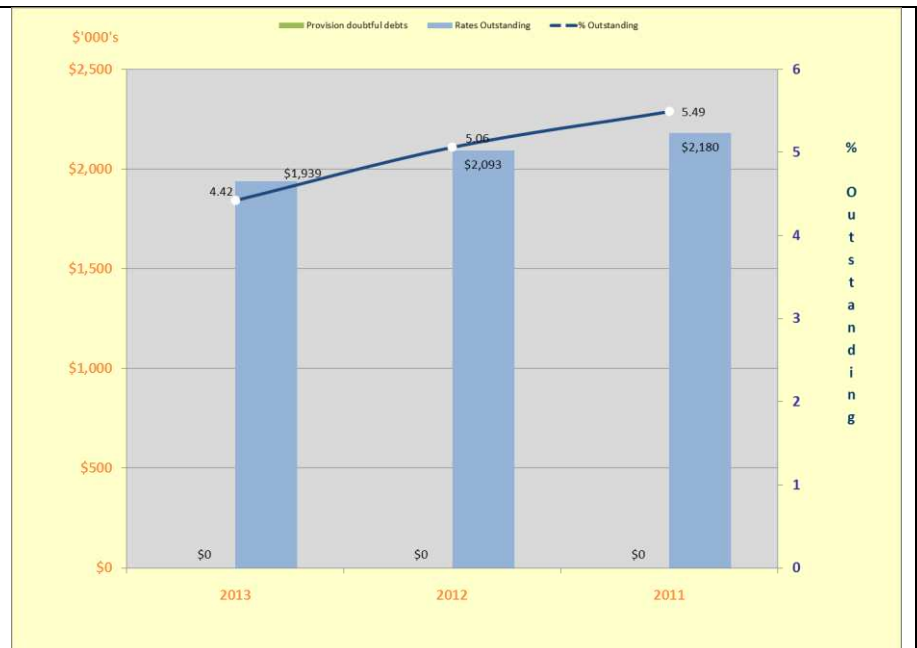
There is no definitive consensus of what constitutes an acceptable ratio as this is generally influenced by the level of infrastructure works. Generally this ratio is usually higher where Council utilises borrowings to finance infrastructure projects. Outstanding loans are associated with the Water operations - \$6K and Sewer operations - \$23,279K of Council with the balance of \$9,935K relating to general operations.

Council obtained new borrowings as part of the LIRS amounting to \$4,000K. As the loan was drawn down in late June there is no interest subsidy in 2013. A 4% subsidy will be received in the 2014 year.

Council's 2014 budget includes new borrowings of \$5,000K to be used to fund the Bega Town hall development \$2,000K, old Merimbula library site redevelopment \$1,500K and urban road renewals of \$1,500K.

5.4 Rates & Annual Charges Outstanding: - 4.42% (2012 5.06%)

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



This indicator has continued to improve over recent years as a result of outsourcing the recovery outstanding rates and annual charges. A ratio of less than 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, operational land and building assets were valued using the services of an independent external valuer. This resulted in a net revaluation increase of \$26,830K which has been recognised directly in the revaluation reserve within equity. Also, this year, Water and Sewerage network infrastructure assets were indexed by 2.5% using reference rates provided by the NSW Department of Primary Industries Office of Water. This resulted in revaluation adjustment of \$8,992K. 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 two 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

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 Beauman
Director

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

"Your place, Our place, Great place"



Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2013.



Councillor Bill Taylor
MAYOR



Councillor
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 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	2,665	2,534
User charges	5,583	6,152
Fees	141	132
Interest	708	863
Grants and contributions provided for non capital purposes	232	1,320
Profit from the sale of assets	-	-
Other income	11	63
Total income from continuing operations	9,340	11,064
Expenses from continuing operations		
Employee benefits and on-costs	781	1,600
Borrowing costs	4	7
Materials and contracts	6,674	6,406
Depreciation and impairment	4,063	2,460
Water purchase charges	-	-
Loss on sale of assets	17	2
Calculated taxation equivalents	3	3
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	11,542	10,478
Surplus (deficit) from Continuing Operations before capital amounts	(2,202)	586
Grants and contributions provided for capital purposes	312	2,010
Surplus (deficit) from Continuing Operations after capital amounts	(1,890)	2,596
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,890)	2,596
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(176)
SURPLUS (DEFICIT) AFTER TAX	(1,890)	2,420
plus Opening Retained Profits	105,400	102,804
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	3	3
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	176
less:		
- Tax Equivalent Dividend paid	(3)	(3)
- Surplus dividend paid	-	-
Closing Retained Profits	103,510	105,400
Return on Capital %	-1.2%	0.3%
Subsidy from Council	9,144	4,968
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,890)	2,420
less: Capital grants and contributions (excluding developer contributions)	127	(1,662)
Surplus for dividend calculation purposes	-	758
Potential Dividend calculated from surplus	-	379

Bega Valley Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	13,024	12,147
User charges	1,199	1,379
Liquid Trade Waste charges	-	-
Fees	80	28
Interest	713	713
Grants and contributions provided for non capital purposes	124	120
Profit from the sale of assets	-	-
Other income	-	6
Total income from continuing operations	15,140	14,393
Expenses from continuing operations		
Employee benefits and on-costs	666	1,134
Borrowing costs	1,539	1,586
Materials and contracts	7,930	7,600
Depreciation and impairment	6,516	3,903
Loss on sale of assets	17	-
Calculated taxation equivalents	2	2
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	16,670	14,225
Surplus (deficit) from Continuing Operations before capital amounts	(1,530)	168
Grants and contributions provided for capital purposes	340	836
Surplus (deficit) from Continuing Operations after capital amounts	(1,190)	1,004
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,190)	1,004
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(50)
SURPLUS (DEFICIT) AFTER TAX	(1,190)	954
plus Opening Retained Profits	82,308	81,304
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	2	2
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	50
less:		
- Tax Equivalent Dividend paid	(2)	(2)
- Surplus dividend paid	-	-
Closing Retained Profits	81,118	82,308
Return on Capital %	0.0%	1.0%
Subsidy from Council	6,720	3,674
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,190)	954
less: Capital grants and contributions (excluding developer contributions)	19	(557)
Surplus for dividend calculation purposes	-	397
Potential Dividend calculated from surplus	-	198

Bega Valley Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	14,639	14,220
Investments	-	-
Receivables	1,124	1,959
Inventories	144	118
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	15,907	16,297
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	184,243	183,538
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	184,243	183,538
TOTAL ASSETS	200,150	199,835
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	309	857
Interest bearing liabilities	3	103
Provisions	208	168
Total Current Liabilities	520	1,128
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	3	6
Provisions	4	20
Total Non-Current Liabilities	7	26
TOTAL LIABILITIES	527	1,154
NET ASSETS	199,623	198,681
EQUITY		
Retained earnings	103,509	105,400
Revaluation reserves	96,114	93,281
Council equity interest	199,623	198,681
Non-controlling interest	-	-
TOTAL EQUITY	199,623	198,681

Bega Valley Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	14,795	12,008
Investments	-	-
Receivables	668	905
Inventories	9	8
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	15,472	12,921
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	178,499	179,132
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	178,499	179,132
TOTAL ASSETS	193,971	192,053
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	969	701
Interest bearing liabilities	655	792
Provisions	208	136
Total Current Liabilities	1,832	1,629
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	22,624	23,279
Provisions	4	20
Total Non-Current Liabilities	22,628	23,299
TOTAL LIABILITIES	24,460	24,928
NET ASSETS	169,511	167,125
EQUITY		
Retained earnings	81,117	82,308
Revaluation reserves	88,394	84,817
Council equity interest	169,511	167,125
Non-controlling equity interest	-	-
TOTAL EQUITY	169,511	167,125

Bega Valley Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
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 2013

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Water 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 2013

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

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

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

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

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

Income Tax

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

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. 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 2013

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 3.77% at 30/6/13.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2013 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Bega Valley Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	3,000
(ii)	No of assessments multiplied by \$3/assessment	43,422
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	3,000
(iv)	Amounts actually paid for Tax Equivalents	3,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	431,220
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(56,500)

2013 Surplus	(1,763,000)	2012 Surplus	758,200	2011 Surplus	948,300
		2012 Dividend	-	2011 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 2013

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	8,875
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)]	%	59.71%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	184,180
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,456
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,989
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)]	%	-1.44%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	70

- 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 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	2,000
(ii)	No of assessments multiplied by \$3/assessment	38,409
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	2,000
(iv)	Amounts actually paid for Tax Equivalents	2,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	382,090
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(616,400)

2013 Surplus	(1,171,000)	2012 Surplus	396,600	2011 Surplus	158,000
		2012 Dividend	-	2011 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 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	14,767
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	178,101
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	8,597
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,322
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)]	%	-0.19%
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	23,608
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.13%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	4,311
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)]	%	-0.82%
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 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2013

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-1.67%
	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):	-	2,989
	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:		122
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	(3,155)
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	266
	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

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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 2013, Income Statements of Business Activities for the year ended on that date, a summary of significant accounting policies and the Statement by Councillors and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Division of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly, we express no opinion on them.

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

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

**RSM Bird Cameron**
W E Beuman
Partner

29 October 2013

Bega Valley Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

"Your place, Our place, Great place"



Bega Valley Shire Council

Special Schedules

for the financial year ended 30 June 2013

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¹ Special Purpose Schedules are not audited.

Background

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

Bega Valley Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	1,320	9	-	(1,311)
Administration	8,185	702	-	(7,483)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,248	675	216	(357)
Beach Control	162	-	-	(162)
Enforcement of Local Govt. Regulations	506	191	-	(315)
Animal Control	-	-	-	-
Other	-	-	-	-
Total Public Order & Safety	1,916	866	216	(834)
Health	209	118	-	(91)
Environment				
Noxious Plants and Insect/Vermin Control	623	141	-	(482)
Other Environmental Protection	926	69	-	(857)
Solid Waste Management	6,114	8,255	-	2,141
Street Cleaning	920	34	-	(886)
Drainage	-	-	-	-
Stormwater Management	680	325	-	(355)
Total Environment	9,263	8,824	-	(439)
Community Services and Education				
Administration & Education	974	262	-	(712)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	859	875	-	16
Children's Services	2,726	2,574	-	(152)
Total Community Services & Education	4,559	3,711	-	(848)
Housing and Community Amenities				
Public Cemeteries	247	214	-	(33)
Public Conveniences	824	-	-	(824)
Street Lighting	-	-	-	-
Town Planning	1,883	713	-	(1,170)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	2,954	927	-	(2,027)
Water Supplies	11,540	8,853	312	(2,375)
Sewerage Services	16,619	15,135	340	(1,144)

Bega Valley Shire Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	1,204	173	5	(1,026)
Museums	-	-	-	-
Art Galleries	197	39	-	(158)
Community Centres and Halls	536	162	-	(374)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	687	486	32	(169)
Swimming Pools	1,071	65	-	(1,006)
Parks & Gardens (Lakes)	1,244	130	310	(804)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	4,939	1,055	347	(3,537)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	759	957	-	198
Other Mining, Manufacturing & Construction	275	200	-	(75)
Total Mining, Manufacturing and Const.	1,034	1,157	-	123
Transport and Communication				
Urban Roads (UR) - Local	4,139	-	102	(4,037)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,706	-	-	(2,706)
Sealed Rural Roads (SRR) - Regional	1,270	-	570	(700)
Unsealed Rural Roads (URR) - Local	1,793	-	1,402	(391)
Unsealed Rural Roads (URR) - Regional	1,587	2,044	-	457
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	471	-	-	(471)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	1,866	-	-	(1,866)
Parking Areas	95	-	-	(95)
Footpaths	102	-	-	(102)
Aerodromes	162	79	-	(83)
Other Transport & Communication	5,307	9,300	337	4,330
Total Transport and Communication	19,498	11,423	2,411	(5,664)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,070	645	1	(424)
Total Economic Affairs	1,070	645	1	(424)
Totals – Functions	83,106	53,425	3,627	(26,054)
General Purpose Revenues⁽²⁾		26,565		26,565
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	83,106	79,990	3,627	511

(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 2013

\$'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	2,309	29,120	31,429	4,000	2,212	98	3	2,025	2,439	30,680	33,119
Other	3	6	9	-	3	-	-	1	3	3	6
Total Loans	2,312	29,126	31,438	4,000	2,215	98	3	2,026	2,442	30,683	33,125
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	10	95	105	-	10	-	-	8	11	84	95
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	10	95	105	-	10	-	-	8	11	84	95
Total Debt	2,322	29,221	31,543	4,000	2,225	98	3	2,034	2,453	30,767	33,220

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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,024	1,436
b. Engineering and Supervision	2,365	1,159
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	157	205
b. Maintenance expenses	135	237
- Mains		
c. Operation expenses	866	859
d. Maintenance expenses	1,282	2,148
- Reservoirs		
e. Operation expenses	224	114
f. Maintenance expenses	157	123
- Pumping Stations		
g. Operation expenses (excluding energy costs)	1	73
h. Energy costs	576	449
i. Maintenance expenses	209	222
- Treatment		
j. Operation expenses (excluding chemical costs)	287	669
k. Chemical costs	-	20
l. Maintenance expenses	173	159
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	4,052	2,430
b. Plant and equipment	11	29
4. Miscellaneous expenses		
a. Interest expenses	4	7
b. Revaluation Decrements	-	-
c. Other expenses	-	135
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	11,526	10,477

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	2,665	2,166
b. Usage charges	3,949	4,248
7. Non-residential charges		
a. Access (including rates)	-	368
b. Usage charges	1,634	1,858
8. Extra charges	-	16
9. Interest income	708	847
10. Other income	153	242
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	70	1,662
b. Grants for pensioner rebates	142	138
c. Other grants	90	-
12. Contributions		
a. Developer charges	242	348
b. Developer provided assets	-	-
c. Other contributions	-	1,182
13. Total income	9,653	13,075
14. Gain (or loss) on disposal of assets	(17)	(2)
15. Operating Result	(1,890)	2,596
15a. Operating Result (less grants for acquisition of assets)	(1,960)	934

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	284	2,803
c. Renewals	1,705	1,924
d. Plant and equipment	-	212
17. Repayment of debt		
a. Loans	3	3
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	3
19. Totals	1,992	4,945
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	100	-
23. Totals	100	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	12,566	12,405
b. Residential (unoccupied, ie. vacant lot)	942	1,039
c. Non-residential (occupied)	936	959
d. Non-residential (unoccupied, ie. vacant lot)	30	34
25. Number of ETs for which developer charges were received	- ET	36 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 141,832	\$ 138,323

Bega Valley Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> 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"/> <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="-"/>
<p>* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.</p> <p>However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.</p>			

Bega Valley Shire Council

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

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

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	4,228	-	4,228
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	10,411	-	10,411
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	94	-	94
c. User Charges	1,017	-	1,017
d. Other	13	-	13
32. Inventories	144	-	144
33. Property, plant and equipment			
a. System assets	-	184,180	184,180
b. Plant and equipment	-	63	63
34. Other assets	-	-	-
35. Total assets	15,907	184,243	200,150
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	309	-	309
38. Borrowings			
a. Loans	3	3	6
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	208	4	212
40. Total liabilities	520	7	527
41. NET ASSETS COMMITTED	15,387	184,236	199,623
EQUITY			
42. Accumulated surplus			103,509
43. Asset revaluation reserve			96,114
44. TOTAL EQUITY			199,623
Note to system assets:			
45. Current replacement cost of system assets			288,695
46. Accumulated current cost depreciation of system assets			(104,515)
47. Written down current cost of system assets			184,180

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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	829	1,704
b. Engineering and Supervision	2,727	1,085
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	581	535
b. Maintenance expenses	308	148
- Pumping Stations		
c. Operation expenses (excluding energy costs)	482	572
d. Energy costs	-	221
e. Maintenance expenses	399	675
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	3,096	3,372
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	175	201
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	6,443	3,883
b. Plant and equipment	72	21
4. Miscellaneous expenses		
a. Interest expenses	1,539	1,586
b. Revaluation Decrements	-	-
c. Other expenses	-	216
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	16,653	14,221

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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	13,024	10,920
7. Non-residential charges		
a. Access (including rates)	-	1,226
b. Usage charges	1,199	1,332
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	62
10. Interest income	713	651
11. Other income	80	79
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	124	120
c. Other grants	-	-
13. Contributions		
a. Developer charges	246	279
b. Developer provided assets	-	-
c. Other contributions	94	558
14. Total income	15,480	15,227
15. Gain (or loss) on disposal of assets	(17)	(2)
16. Operating Result	(1,190)	1,004
16a. Operating Result (less grants for acquisition of assets)	(1,190)	1,004

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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	759	576
c. Renewals	1,563	923
d. Plant and equipment	-	212
18. Repayment of debt		
a. Loans	792	742
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	3	3
20. Totals	3,117	2,456
Non-operating funds employed		
21. Proceeds from disposal of assets	37	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	37	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	11,104	10,951
b. Residential (unoccupied, ie. vacant lot)	935	1,060
c. Non-residential (occupied)	738	741
d. Non-residential (unoccupied, ie. vacant lot)	26	25
26. Number of ETs for which developer charges were received	- ET	36 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 123,889	\$ 120,446

Bega Valley Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> 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 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	1,945	-	1,945
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	196	-	196
f. Other	12,654	-	12,654
32. Receivables			
a. Specific purpose grants	18	-	18
b. Rates and Availability Charges	379	-	379
c. User Charges	212	-	212
d. Other	59	-	59
33. Inventories	9	-	9
34. Property, plant and equipment			
a. System assets	-	178,101	178,101
b. Plant and equipment	-	398	398
35. Other assets	-	-	-
36. Total Assets	15,472	178,499	193,971
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	969	-	969
39. Borrowings			
a. Loans	655	22,624	23,279
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	208	4	212
41. Total Liabilities	1,832	22,628	24,460
42. NET ASSETS COMMITTED	13,640	155,871	169,511
EQUITY			
42. Accumulated surplus			81,117
44. Asset revaluation reserve			88,394
45. TOTAL EQUITY			169,511
Note to system assets:			
46. Current replacement cost of system assets			275,574
47. Accumulated current cost depreciation of system assets			(97,473)
48. Written down current cost of system assets			178,101

Bega Valley Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2013

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

		Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#] .	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category										
Buildings		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>							
	Council Offices	1.00%	258		10,283	2,580	7,703	4	3,410	225	59
	Council Works Depot	1.00%	102		3,316	679	2,637	4	2,195	110	38
	Council Halls	1.00%	329		21,089	4,478	16,611	4	2,090	140	126
	Building Misc	1.00%	728		10,617	1,480	9,137	4	1,965	135	63
	Amenities/Toilets	2.00%	152		3,990	605	3,385	4	670	720	116
	Sports Complex	2.00%	546		18,140	1,976	16,164	4	1,205	185	224
	sub total		2,115	-	67,435	11,798	55,637		11,535	1,515	626
Other Structures											
	Assets not included in Buildings		72		3,324	788	2,536	4	Included Above	-	-
	sub total		72	-	3,324	788	2,536		-	-	-
Public Roads											
	Sealed Roads	1.00%	4,258		303,729	122,029	181,700	3	16,375	2,400	3,035
	Unsealed Roads	1.00%	385		68,493	6,346	62,147	3	14,525	1,600	2,048
	Bridges	1.50%	1,819		166,723	59,732	106,991	3	3,300	600	463
	Footpaths / Kerb & Gutter	2.00%	853		65,408	23,887	41,521	3	1,855	150	167
	Car Parks/Ancillary	2.00%	516		16,270	9,356	6,914	3	620	100	34
	Airport	20.00%	78		2,927	1,704	1,223	3	-	-	-
	Boat ramp/Jetties	2.00%	47		2,373	398	1,975	4	1,400	100	45
	sub total		7,956	-	625,923	223,452	402,471		38,075	4,950	5,792

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#] .	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Water		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>							
	Treatment Plants	2.00%	118		3,089	2,145	944	2	185	234	173
	Reservoirs	1.00%	716		65,318	20,181	45,137	2	250	120	156
	Dams	1.00%	501		44,918	14,056	30,862	2	500	180	135
	Pipeline	1.50%	2,048		154,475	52,469	102,006	3	2,955	900	1,282
	Pump Station	2.50%	663		20,895	15,664	5,231	3	1,100	320	209
	sub total		4,046	-	288,695	104,515	184,180		4,990	1,754	1,955
Sewerage											
	Pump Stations	2.00%	1,274		51,024	19,434	31,590	3	800	690	399
	Pipeline	1.50%	1,800		118,755	40,682	78,073	3	7,500	975	307
	Treatment Works	2.50%	3,364		105,795	37,358	68,437	3	2,360	898	175
	sub total		6,438	-	275,574	97,474	178,100		10,660	2,563	881
Drainage Works											
	Stormwater Drainage	1.00%	332		33,411	9,322	24,089	-	-	-	-
	sub total		332	-	33,411	9,322	24,089		-	-	-
	TOTAL - ALL ASSETS		20,959	-	1,294,362	447,349	847,013		65,260	10,782	9,254

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

1	Excellent - No work required (normal maintenance)
2	Good - Only minor maintenance work required

3	Average - Maintenance work required
4	Poor - Renewal required

5 **Very Poor** - Urgent renewal/upgrading required

Bega Valley Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 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
(i) OPERATING BUDGET											
Income from continuing operations	83,617	85,013	73,726	75,629	77,617	79,761	81,906	84,148	86,513	89,101	91,988
Expenses from continuing operations	83,106	76,407	75,730	75,956	76,598	76,669	77,176	77,779	78,447	79,017	79,644
Operating Result from Continuing Operations	511	8,606	(2,004)	(327)	1,019	3,092	4,730	6,369	8,066	10,084	12,344
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	5,482	6,000	6,569	3,596	3,073	2,392	2,931	3,071	2,270	3,407	1,609
Replacement/Refurbishment of Existing Assets	16,322	28,849	17,126	15,865	14,711	15,622	19,848	20,517	21,075	19,354	19,368
Total Capital Budget	21,804	34,849	23,695	19,461	17,784	18,014	22,779	23,588	23,345	22,761	20,977
Funded by:											
– Loans	4,000	5,000	5,210	3,423	60	60	1,799	1,254	60	60	60
– Asset sales	123	2,125	338	347	959	368	90	93	96	98	101
– Reserves	9,357	7,758	3,978	389	389	56	694	1,391	56	-	-
– Grants/Contributions	3,057	4,115	5,350	5,492	5,639	5,790	5,947	6,110	6,278	6,453	6,632
– Recurrent revenue	5,267	15,851	8,819	9,810	10,737	11,740	14,249	14,740	16,855	16,150	14,184
– Other	-	-	-	-	-	-	-	-	-	-	-
	21,804	34,849	23,695	19,461	17,784	18,014	22,779	23,588	23,345	22,761	20,977

Notes:

(1) From 12/13 Income Statement.

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

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