

Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Bellingen Shire - Naturally Magic



Bellingen Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 7th November 2011. Council has the power to amend and reissue the financial statements.

Bellingen Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

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

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

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

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

BELLINGEN SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL REPORTS
for the year ending 30 June 2011

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 Reports have been prepared in accordance with:

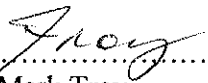
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

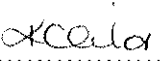
To the best of our knowledge and belief, these Reports

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

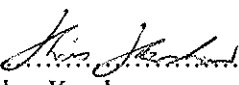
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 7 November 2011


.....
Cr Mark Troy
MAYOR


.....
Cr Kerry Child
COUNCILLOR


.....
Liz Jeremy
GENERAL MANAGER


.....
Kristopher Kershaw
RESPONSIBLE ACCOUNTING OFFICER

Bellingen Shire Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾ 2011	\$ '000	Notes	Actual 2011	Actual 2010
Income from Continuing Operations				
Revenue:				
9,779	Rates & Annual Charges	3a	9,703	9,228
4,003	User Charges & Fees	3b	4,474	4,921
1,539	Interest & Investment Revenue	3c	1,843	1,450
334	Other Revenues	3d	531	546
4,115	Grants & Contributions provided for Operating Purposes	3e,f	8,564	9,298
2,152	Grants & Contributions provided for Capital Purposes	3e,f	4,754	2,424
Other Income:				
150	Net gains from the disposal of assets	5	-	187
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>22,072</u>	Total Income from Continuing Operations		<u>29,869</u>	<u>28,054</u>
Expenses from Continuing Operations				
9,527	Employee Benefits & On-Costs	4a	9,554	8,641
341	Borrowing Costs	4b	111	119
5,257	Materials & Contracts	4c	8,152	9,404
4,914	Depreciation & Amortisation	4d	8,131	5,058
-	Impairment	4d	-	-
2,083	Other Expenses	4e	2,711	2,627
-	Net Losses from the Disposal of Assets	5	139	-
<u>22,122</u>	Total Expenses from Continuing Operations		<u>28,798</u>	<u>25,849</u>
<u>(50)</u>	Operating Result from Continuing Operations		<u>1,071</u>	<u>2,205</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>(50)</u>	Net Operating Result for the Year		<u>1,071</u>	<u>2,205</u>
(50)	Net Operating Result attributable to Council		1,071	2,205
-	Net Operating Result attributable to Minority Interests		-	-
<u>(2,202)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(3,683)</u>	<u>(219)</u>

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

Bellingen Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		1,071	2,205
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	14,853	208,236
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Total Other Comprehensive Income for the year		14,853	208,236
Total Comprehensive Income for the Year		15,924	210,441
Total Comprehensive Income attributable to Council		15,924	210,441
Total Comprehensive Income attributable to Minority Interests		-	-

Bellingen Shire Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	21,510	21,815
Investments	6b	10,500	8,500
Receivables	7	8,389	4,110
Inventories	8	288	318
Other	8	51	142
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		40,738	34,885
Non-Current Assets			
Investments	6b	-	-
Receivables	7	19	28
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	497,961	483,032
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,266	1,266
Intangible Assets	25	-	-
Total Non-Current Assets		499,246	484,326
TOTAL ASSETS		539,984	519,211
LIABILITIES			
Current Liabilities			
Payables	10	4,042	1,829
Borrowings	10	312	93
Provisions	10	2,560	2,330
Total Current Liabilities		6,914	4,252
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	3,239	1,049
Provisions	10	573	576
Total Non-Current Liabilities		3,812	1,625
TOTAL LIABILITIES		10,726	5,877
Net Assets		529,258	513,334
EQUITY			
Retained Earnings	20	260,305	259,234
Revaluation Reserves	20	268,953	254,100
Council Equity Interest		529,258	513,334
Minority Equity Interest		-	-
Total Equity		529,258	513,334

Bellingen Shire Council

Statement of Changes in Equity for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		259,234	254,100	513,334	-	513,334
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		259,234	254,100	513,334	-	513,334
c. Net Operating Result for the Year		1,071	-	1,071	-	1,071
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	14,853	14,853	-	14,853
- 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		-	14,853	14,853	-	14,853
Total Comprehensive Income (c&d)		1,071	14,853	15,924	-	15,924
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		260,305	268,953	529,258	-	529,258

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		234,294	45,864	280,158	-	280,158
a. Correction of Prior Period Errors	20 (c)	22,735	-	22,735	-	22,735
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		257,029	45,864	302,893	-	302,893
c. Net Operating Result for the Year		2,205	-	2,205	-	2,205
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	208,236	208,236	-	208,236
- 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		-	208,236	208,236	-	208,236
Total Comprehensive Income (c&d)		2,205	208,236	210,441	-	210,441
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		259,234	254,100	513,334	-	513,334

Bellingen Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
9,779	Rates & Annual Charges		9,859	9,495
4,003	User Charges & Fees		6,314	4,615
1,539	Investment & Interest Revenue Received		1,663	1,370
6,267	Grants & Contributions		6,457	12,125
334	Other		2,510	3,117
Payments:				
(9,344)	Employee Benefits & On-Costs		(9,541)	(8,617)
(5,257)	Materials & Contracts		(7,738)	(10,960)
(341)	Borrowing Costs		(88)	(100)
-	Bonds & Deposits Refunded		(27)	-
(2,083)	Other		(2,631)	(2,698)
4,897	Net Cash provided (or used in) Operating Activities	11b	6,778	8,347
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		-	5,005
150	Sale of Infrastructure, Property, Plant & Equipment		393	385
15	Deferred Debtors Receipts		6	16
Payments:				
-	Purchase of Investment Securities		(1,996)	-
(9,342)	Purchase of Infrastructure, Property, Plant & Equipment		(7,895)	(6,953)
(9,177)	Net Cash provided (or used in) Investing Activities		(9,492)	(1,547)
Cash Flows from Financing Activities				
Receipts:				
2,583	Proceeds from Borrowings & Advances		2,500	-
Payments:				
(153)	Repayment of Borrowings & Advances		(91)	(127)
2,430	Net Cash Flow provided (used in) Financing Activities		2,409	(127)
(1,850)	Net Increase/(Decrease) in Cash & Cash Equivalents		(305)	6,673
15,142	plus: Cash & Cash Equivalents - beginning of year	11a	21,815	15,142
13,292	Cash & Cash Equivalents - end of the year	11a	21,510	21,815
Additional Information:				
	plus: Investments on hand - end of year	6b	10,500	8,500
Total Cash, Cash Equivalents & Investments			32,010	30,315

Please refer to Note 11 for additional cash flow information.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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

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

(iii) 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.

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and **(ii)** all the related operating results (for the financial year ended the 30th June 2011).

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*

Council controls a number of community management committees under section 355 of the Local Government Act 1993.

The majority of these committees are in respect to public reserves, playing fields or public halls and do not involve material transactions.

Due to the large number of committees and the low number of transactions and materiality involved in the transactions, Council has elected not to consolidate Committees revenue and expenses in these reports.

(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 is a member of the Clarence Regional Library.

Council is represented on the Clarence Regional Library Committee which is responsible for the policies and procedures.

The day to day management of the Service is the responsibility of the Executive Officer and the financial reporting is included in the consolidated reports of Clarence Valley Regional Council.

Council makes an annual contribution to the operating expenses of the service for the provision of book stocks and information technology services.

The co-operative arrangement does not establish the share of assets to which Council would be entitled in the event of the winding up of the arrangement.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

In respect of finance leases, Council has no finance leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising

from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council’s financial assets carried at amortised cost, the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset’s original effective interest rate. The loss is recognised in the income statement.

(iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

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

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(h) Receivables

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

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (Internal Valuation)

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	5 to 20 years
- Computer Equipment	4 years
- Vehicles	3 to 8 years
- Other plant and equipment	5 to 20 years

Buildings

- Buildings : Non Specialised	10 to 60 years
- Buildings : Other	5 to 60 years

Stormwater Drainage

- Drains	100 years
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Transportation Assets

- Sealed Roads : Surface	15 to 20 years
- Sealed Roads : Structure	60 to 75 years
- Unsealed roads	25 years
- Bridge : Concrete	75 years
- Bridge : Other	60 to 75 years
- Road Pavements	60 to 75 years
- Kerb, Gutter & Paths	30 to 100 years

Water & Sewer Assets

- Sewer Network	30 to 70 years
- Water Network	30 to 100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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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).

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within 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.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of “Other Income”.

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/10.

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 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 unwinding of the discount which is shown as a borrowing cost.

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

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

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

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

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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 discounted using market yields at the reporting date 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.

Bellinghen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$237.9 million at 30 June 2011.

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

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(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.

Bellinghen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	-	-	-	218	223	184	(218)	(223)	(184)	-	269	-	-
Administration	224	317	639	3,304	3,352	2,215	(3,080)	(3,035)	(1,576)	153	69	24,290	23,291
Public Order & Safety	830	1,393	887	967	1,252	1,070	(137)	141	(183)	1,079	440	4,947	4,101
Health	37	21	19	666	577	361	(629)	(556)	(342)	53	-	501	504
Environment	234	2,552	2,363	523	3,676	3,068	(289)	(1,124)	(705)	235	283	-	-
Community Services & Education	275	791	450	917	449	552	(642)	342	(102)	730	290	4,392	4,323
Housing & Community Amenities	2,422	306	299	3,578	1,474	1,198	(1,156)	(1,168)	(899)	100	30	18,627	18,842
Water Supplies	2,780	2,717	2,831	2,149	2,089	1,968	631	628	863	124	296	44,977	38,045
Sewerage Services	2,081	2,070	1,984	2,416	2,439	2,215	(335)	(369)	(231)	40	40	35,631	31,417
Recreation & Culture	470	1,666	592	910	1,720	1,694	(440)	(54)	(1,102)	1,655	854	26,236	21,708
Mining, Manufacturing & Construction	140	87	95	225	175	183	(85)	(88)	(88)	-	-	268	287
Transport & Communication	3,567	8,780	9,338	5,944	11,047	10,521	(2,377)	(2,267)	(1,183)	5,214	5,277	371,524	367,928
Economic Affairs	279	166	204	305	325	620	(26)	(159)	(416)	15	-	8,591	8,765
Total Functions & Activities	13,339	20,866	19,701	22,122	28,798	25,849	(8,783)	(7,932)	(6,148)	9,398	7,848	539,984	519,211
General Purpose Income ¹	8,733	9,003	8,353	-	-	-	8,733	9,003	8,353	3,207	2,983	-	-
Operating Result from Continuing Operations	22,072	29,869	28,054	22,122	28,798	25,849	(50)	1,071	2,205	12,605	10,831	539,984	519,211

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, 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, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		3,827	3,711
Farmland		893	864
Business		346	336
Total Ordinary Rates		5,066	4,911
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		1,609	1,483
Water Supply Services		1,016	944
Sewerage Services		1,646	1,546
Waste Management Services (non-domestic)		366	344
Total Annual Charges		4,637	4,317
TOTAL RATES & ANNUAL CHARGES		9,703	9,228

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		966	998
Sewerage Services		71	67
Waste Management Services (non-domestic)		93	135
Total User Charges		1,130	1,200
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Private Works - Section 67		18	17
Regulatory/ Statutory Fees		116	206
Town Planning		233	171
Total Fees & Charges - Statutory/Regulatory		367	394
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Caravan Park		13	14
Cemeteries		36	34
Lease Rentals		2	1
Leaseback Fees - Council Vehicles		55	37
Quarry Revenues		1	10
RTA Charges (State Roads not controlled by Council)		2,842	3,194
Workers Comp Rebate / OH&S Incentive Payments		20	21
Other		8	16
Total Fees & Charges - Other		2,977	3,327
TOTAL USER CHARGES & FEES		4,474	4,921

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		54	47
- Interest earned on Investments (interest & coupon payment income)		1,769	1,398
- Interest & Dividend Income - Other		16	-
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		4	5
TOTAL INTEREST & INVESTMENT REVENUE		<u>1,843</u>	<u>1,450</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		54	41
General Council Cash & Investments		730	459
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		193	157
- Section 64		322	254
Water Fund Operations		331	308
Sewerage Fund Operations		169	209
Domestic Waste Management operations		44	22
Total Interest & Investment Revenue Recognised		<u>1,843</u>	<u>1,450</u>
(d). Other Revenues			
Rental Income - Investment Properties	14	124	72
Rental Income - Other Council Properties		44	63
Legal Fees Recovery - Rates & Charges (Extra Charges)		106	109
Bushfire Costs Reimbursed		37	90
Commissions & Agency Fees		2	2
Insurance Claim Recoveries		52	101
Workers Comp Income		116	92
Bad Debts Recovered		5	-
Scrap Metal Sales		12	-
Dorrigo Waste Centre Gate Fees		8	-
Tourist Centre Income		4	-
Other		21	17
TOTAL OTHER REVENUE		<u>531</u>	<u>546</u>

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,332	2,167	-	-
Financial Assistance - Local Roads Component	749	691	-	-
Pensioners' Rates Subsidies - General Component	126	125	-	-
Total General Purpose	3,207	2,983	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	52	51	-	-
- Sewerage	40	39	-	-
- Domestic Waste Management	55	53	-	-
Water Supplies	73	-	-	246
Bushfire & Emergency Services	175	133	904	543
Community Care	229	230	15	-
Community Centres	-	-	486	188
Economic Development	15	-	-	-
Employment & Training Programs	4	9	-	-
Environmental Protection	213	161	-	102
Flood Restoration	3,785	4,975	-	-
Heritage & Cultural	-	7	-	-
Library	50	50	-	-
Noxious Weeds	48	61	-	-
Public Halls	-	-	7	-
Recreation & Culture	-	-	292	190
Street Lighting	8	8	-	-
Transport (Roads to Recovery)	-	-	590	326
Transport (Other Roads & Bridges Funding)	44	-	836	-
Diesel Fuel Rebate	39	60	-	-
Regional Local Communities Infrastructure Program	-	-	1,292	87
Black Spot Funding	-	-	-	98
Town Planning	73	10	-	-
Cycleways	-	-	-	218
Waste	48	-	-	-
Public Health	5	-	-	-
Parental Leave	7	-	-	-
Information Technology	-	-	13	-
Other	-	3	-	-
Total Specific Purpose	4,963	5,850	4,435	1,998
Total Grants	8,170	8,833	4,435	1,998
Grant Revenue is attributable to:				
- Commonwealth Funding	3,131	2,858	2,440	974
- State Funding	5,020	5,975	1,982	1,024
- Other Funding	19	-	13	-
	8,170	8,833	4,435	1,998

Bellingen Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	47	117
S 64 - Water Supply Contributions	-	-	23	58
S 64 - Sewerage Service Contributions	-	-	20	54
Total Developer Contributions	17	-	90	229
Other Contributions:				
Other Councils - Joint Works/Services	64	66	-	-
RTA Contributions (Regional/Local, Block Grant)	330	396	229	179
Other	-	3	-	18
Total Other Contributions	394	465	229	197
Total Contributions	394	465	319	426
TOTAL GRANTS & CONTRIBUTIONS	8,564	9,298	4,754	2,424

\$ '000	Actual 2011	Actual 2010
(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	10,616	11,464
add: Grants & contributions recognised in the current period but not yet spent:	2,937	2,389
less: Grants & contributions recognised in a previous reporting period now spent:	(1,486)	(3,237)
Net Increase (Decrease) in Restricted Assets	1,451	(848)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	12,067	10,616
Comprising:		
- Specific Purpose Unexpended Grants	3,084	2,081
- Developer Contributions	8,983	8,535
	12,067	10,616

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		7,169	6,552
Employee Leave Entitlements (ELE)		981	967
Superannuation - Defined Contribution Plans		399	404
Superannuation - Defined Benefit Plans		569	495
Workers' Compensation Insurance		794	458
Fringe Benefit Tax (FBT)		22	28
Training Costs (other than Salaries & Wages)		123	101
Other		40	35
Total Employee Costs		10,097	9,040
less: Capitalised Costs		(543)	(399)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>9,554</u>	<u>8,641</u>
Number of "Equivalent Full Time" Employees at year end		140	142
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		88	96
Total Interest Bearing Liability Costs		88	96
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		88	96
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	23	23
Total Other Borrowing Costs		23	23
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>111</u>	<u>119</u>

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		2,109	2,504
Contractors			
- Externally Hired Plant		780	1,335
- Electrical Maintenance		25	70
- IT Support		74	57
- Labour Hire		493	450
- Mowing		84	204
- Roads Maintenance		1,134	1,050
- Swimming Pool		118	77
- Traffic Control Services		311	501
- Waste & Recycling		1,585	1,478
- Other Contractors		920	992
Consultancies			
- Engineering		74	170
- Environmental		115	139
- OH & S		18	25
- Other Consultancies		31	74
Auditors Remuneration			
- Audit Services: Council's Auditor		13	25
Legal Expenses:			
- Legal Expenses: Planning & Development		87	5
- Legal Expenses: Other		14	24
- Legal Expenses: Debt Recovery		73	97
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		94	127
Total Materials & Contracts		8,152	9,404
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>8,152</u>	<u>9,404</u>
1. Operating Lease Payments are attributable to:			
- Computers		94	127
		94	127

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	1,158	957
Office Equipment		-	-	50	43
Furniture & Fittings		-	-	34	33
Land Improvements (depreciable)		-	-	71	70
Buildings - Non Specialised		-	-	623	618
Other Structures		-	-	78	71
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	4,568	1,912
- Stormwater Drainage		-	-	248	90
- Water Supply Network		-	-	623	605
- Sewerage Network		-	-	650	630
Other Assets					
- Other		-	-	8	9
Asset Reinstatement Costs	9 & 26	-	-	20	20
Total Depreciation & Impairment Costs		-	-	8,131	5,058
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,131	5,058

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		174	133
Bad & Doubtful Debts		-	15
Bank Charges		57	54
Contributions/Levies to Other Levels of Government			
- Bushfire Fighting Fund		334	262
- Dept of Lands		-	273
- Emergency Services Levy		33	26
- NSW Fire Brigade Levy		55	41
- Waste Levy		46	47
- Libraries Contribution		173	-
Councillor Expenses - Mayoral Fee		20	20
Councillor Expenses - Councillors' Fees		66	65
Donations, Contributions & Assistance to other organisations (Section 356)			
- Donations, Contributions to Local & Regional Bodies		178	351
Electricity & Heating		413	375
Insurance		395	345
Postage		21	23
Printing & Stationery		158	89
Street Lighting		117	105
Subscriptions & Publications		91	110
Telephone & Communications		205	156
Licence Fees		107	80
Conferences / Seminars		52	50
Other		16	7
Total Other Expenses		2,711	2,627
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>2,711</u>	<u>2,627</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal		393	385
less: Carrying Amount of P&E Assets Sold		(532)	(198)
Net Gain/(Loss) on Disposal		(139)	187
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(139)</u>	<u>187</u>

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2	-	2	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,308	-	7,364	-
- Short Term Deposits		17,200	-	14,449	-
Total Cash & Cash Equivalents		21,510	-	21,815	-
Investment Securities (Note 6b)					
- Long Term Deposits		10,500	-	8,500	-
Total Investment Securities		10,500	-	8,500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		32,010	-	30,315	-

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"	21,510	-	21,815	-
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Investments

b. "Held to Maturity"	10,500	-	8,500	-
Investments	10,500	-	8,500	-

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

Balance at the Beginning of the Year	8,500	-	13,500	-
Additions	2,500	-	-	-
Disposals (sales & redemptions)	(500)	-	(5,000)	-
Balance at End of Year	10,500	-	8,500	-

Comprising:

- Long Term Deposits	10,500	-	8,500	-
Total	10,500	-	8,500	-

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	32,010	-	30,315	-
attributable to:				
External Restrictions (refer below)	25,407	-	24,207	-
Internal Restrictions (refer below)	6,603	-	4,920	-
Unrestricted	-	-	1,188	-
	32,010	-	30,315	-

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Deposits, Bonds, Etc	120	10	-	130
External Restrictions - Included in Liabilities	120	10	-	130

External Restrictions - Other

Developer Contributions - General (D)	3,240	239	(158)	3,323
Developer Contributions - Water Fund (D)	3,287	223	-	3,510
Developer Contributions - Sewer Fund (D)	2,008	142	-	2,150
Specific Purpose Unexpended Grants (F)	2,081	1,003	-	3,084
Water Supplies (G)	7,636	351	-	7,987
Sewerage Services (G)	4,467	-	(468)	3,999
Domestic Waste Management (G)	343	-	(52)	291
Environmental Levy	209	207	(244)	172
Special Roads Levy	518	351	(207)	662
Crown Reserves incl Anchors	298	4	(203)	99
External Restrictions - Other	24,087	2,520	(1,332)	25,277
Total External Restrictions	24,207	2,530	(1,332)	25,407

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.

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,183	950	-	2,133
Infrastructure Replacement	1,862	374	(1,546)	690
Employees Leave Entitlement	558	309	(136)	731
Carry Over Works	72	56	(13)	115
Business Plan	10	-	-	10
Emergency Services	97	39	-	136
Environmental and Heritage	20	10	-	30
IT Reserve	405	63	(90)	378
Land Development	82	-	-	82
Recreation	44	-	(40)	4
Streetscape Improvements	105	-	-	105
Training & Development	50	-	-	50
Waste Management	203	36	-	239
Workers Comp Contingency	129	-	-	129
Youth Centre Operations	100	-	-	100
Depot Loan Unspent	-	1,625	-	1,625
Support Services	-	21	-	21
Stormwater Management Program	-	25	-	25
Total Internal Restrictions	4,920	3,508	(1,825)	6,603
TOTAL RESTRICTIONS	29,127	6,038	(3,157)	32,010

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		625	-	781	-
Interest & Extra Charges		159	-	186	-
User Charges & Fees		377	-	1,630	-
Accrued Revenues					
- Interest on Investments		487	-	284	-
- Other Income Accruals		28	-	336	-
Deferred Debtors		19	19	16	28
Other Levels of Government		6,688	-	884	-
Other Debtors		8	-	-	-
Total		8,391	19	4,117	28
less: Provision for Impairment					
User Charges & Fees		(2)	-	(7)	-
Total Provision for Impairment - Receivables		(2)	-	(7)	-
<u>TOTAL NET RECEIVABLES</u>		<u>8,389</u>	<u>19</u>	<u>4,110</u>	<u>28</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		322	-	397	-
- Other		15	-	-	-
Sewerage Services					
- Rates & Availability Charges		150	-	177	-
Domestic Waste Management		108	-	122	-
Total External Restrictions		595	-	696	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		7,794	19	3,414	28
TOTAL NET RECEIVABLES		8,389	19	4,110	28

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Bellingen Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		207	-	230	-
Trading Stock		81	-	88	-
Total Inventories		288	-	318	-
Other Assets					
Prepayments		51	-	142	-
Total Other Assets		51	-	142	-
TOTAL INVENTORIES / OTHER ASSETS		339	-	460	-
Externally Restricted Assets					
Water					
Stores & Materials		21	-	21	-
Total Water		21	-	21	-
Total Externally Restricted Assets		21	-	21	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		318	-	439	-
TOTAL INVENTORIES & OTHER ASSETS		339	-	460	-

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period					as at 30/6/2011				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Plant & Equipment	-	14,708	8,682	-	6,026	2,057	(532)	(1,158)	51	-	-	15,118	8,674	-	6,444
Office Equipment	-	1,338	1,140	-	198	178	-	(50)	(1)	-	-	1,516	1,191	-	325
Furniture & Fittings	-	427	239	-	188	13	-	(34)	-	-	-	440	273	-	167
Land:															
- Operational Land	-	23,089	-	-	23,089	269	-	-	-	-	-	23,358	-	-	23,358
- Community Land	-	11,412	-	-	11,412	-	-	-	(387)	698	-	11,723	-	-	11,723
Land Improvements - depreciable	-	1,958	704	-	1,254	106	-	(71)	(16)	272	-	2,387	842	-	1,545
Buildings - Non Specialised	-	34,646	15,564	-	19,082	1,075	-	(623)	74	1,108	-	37,193	16,477	-	20,716
Other Structures	-	1,826	763	-	1,063	827	-	(78)	279	1,937	-	6,503	2,475	-	4,028
Infrastructure:															
- Roads, Bridges, Footpaths	-	220,483	68,899	-	151,584	2,713	-	(4,568)	(308)	-	-	222,889	73,468	-	149,421
- Bulk Earthworks (non-depreciable)	-	210,793	-	-	210,793	98	-	-	361	-	-	211,252	-	-	211,252
- Stormwater Drainage	-	24,653	9,689	-	14,964	125	-	(248)	-	-	-	24,778	9,937	-	14,841
- Water Supply Network	-	42,329	17,748	-	24,581	580	-	(623)	-	6,346	-	52,040	21,156	-	30,884
- Sewerage Network	-	36,113	17,712	-	18,401	622	-	(650)	(39)	4,449	-	45,536	22,753	-	22,783
Other Assets:															
- Library Books	5	-	5	-	-	-	-	-	-	-	5	-	5	-	-
- Other	235	-	182	-	53	29	-	(8)	34	43	-	399	248	-	151
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Tip Asset	362	-	33	-	329	-	-	(16)	-	-	362	-	49	-	313
- Quarry Asset	34	-	19	-	15	-	-	(4)	(1)	-	34	-	24	-	10
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	636	623,775	141,379	-	483,032	8,692	(532)	(8,131)	47	14,853	401	655,132	157,572	-	497,961

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011				Actual 2010			
	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	-	533	416	117	-	475	380	95
Office Equipment	-	118	28	90	-	118	23	95
Furniture & Fittings	-	29	17	12	-	29	12	17
Land								
- Operational Land	-	1,393	-	1,393	-	1,393	-	1,393
- Improvements - depreciable	106	-	24	82	106	-	21	85
Buildings	-	786	253	533	-	668	242	426
Other Structures	14	-	3	11	14	-	2	12
Infrastructure	-	52,040	21,156	30,884	-	42,329	17,748	24,581
Total Water Supply	120	54,899	21,897	33,122	120	45,012	18,428	26,704
Sewerage Services								
Plant & Equipment	-	572	150	422	-	382	157	225
Office Equipment	-	66	46	20	-	66	35	31
Furniture & Fittings	-	4	3	1	-	4	2	2
Land								
- Operational Land	-	5,668	-	5,668	-	5,668	-	5,668
Buildings	-	487	150	337	-	469	142	327
Other Structures	136	-	57	79	136	-	53	83
Other Assets	38	-	16	22	38	-	10	28
Infrastructure	-	45,536	22,753	22,783	-	36,113	17,712	18,401
Total Sewerage Services	174	52,333	23,175	29,332	174	42,702	18,111	24,765
Domestic Waste Management								
Plant & Equipment	-	23	20	3	-	23	19	4
Land								
- Operational Land	-	1,527	-	1,527	-	1,527	-	1,527
- Improvements - depreciable	392	-	75	317	392	-	67	325
Buildings	-	271	157	114	-	271	151	120
Other Structures	169	-	53	116	169	-	40	129
Future Reinstatement Costs	363	-	33	330	363	-	33	330
Total DWM	924	1,821	338	2,407	924	1,821	310	2,435
TOTAL RESTRICTED I,PP&E	1,218	109,053	45,410	64,861	1,218	89,535	36,849	53,904

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.

NB. Impairment Adjustments relating to I,PP&E assets may have been recognised direct to Equity - refer Note 20 (ii).

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,021	-	1,301	-
Payments Received In Advance		493	-	108	-
Accrued Expenses:					
- Interest on Bonds & Deposits		2	-	1	-
- Salaries & Wages		152	-	232	-
- Other Expenditure Accruals		230	-	29	-
Security Bonds, Deposits & Retentions		131	-	158	-
Other		13	-	-	-
Total Payables		4,042	-	1,829	-
Borrowings					
Loans - Secured ¹		312	3,239	93	1,049
Total Borrowings		312	3,239	93	1,049
Provisions					
Employee Benefits;					
Annual Leave		690	-	629	-
Sick Leave		500	-	495	-
Long Service Leave		1,274	101	1,155	127
Sub Total - Aggregate Employee Benefits		2,464	101	2,279	127
Asset Remediation/Restoration (Future Works) ²⁶		-	472	-	449
Other		96	-	51	-
Total Provisions		2,560	573	2,330	576
Total Payables, Borrowings & Provisions		6,914	3,812	4,252	1,625

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	78	-	36	-
Sewer	66	-	48	-
Other	130	-	120	-
Liabilities relating to externally restricted assets	274	-	204	-
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	274	-	204	-

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(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	1,712	1,653
	<u>1,712</u>	<u>1,653</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011		Unused amounts reversed	Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	629	498	(446)	9	-	690
Sick Leave	495	273	(251)	(17)	-	500
Long Service Leave	1,282	321	(124)	(104)	-	1,375
Asset Remediation	449	23	-	-	-	472
Other	51	44	-	1	-	96
TOTAL	2,906	1,159	(821)	(111)	-	3,133

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	21,510	21,815
BALANCE as per the STATEMENT of CASH FLOWS		21,510	21,815
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		1,071	2,205
Adjust for non cash items:			
Depreciation & Amortisation		8,131	5,058
Net Losses/(Gains) on Disposal of Assets		139	(187)
Non Cash Capital Grants and Contributions		(844)	(269)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		(4)	(5)
- Interest on all fair value adjusted Interest Free Advances made by Council		-	(5)
Unwinding of Discount Rates on Reinstatement Provisions		23	23
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,271)	1,420
Increase/(Decrease) in Provision for Doubtful Debts		(5)	1
Decrease/(Increase) in Inventories		30	43
Decrease/(Increase) in Other Assets		91	144
Increase/(Decrease) in Payables		1,720	25
Increase/(Decrease) in accrued Interest Payable		-	(4)
Increase/(Decrease) in other accrued Expenses Payable		121	83
Increase/(Decrease) in Other Liabilities		372	(165)
Increase/(Decrease) in Employee Leave Entitlements		159	(14)
Increase/(Decrease) in Other Provisions		45	(6)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		6,778	8,347

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		844	269
Total Non-Cash Investing & Financing Activities		844	269
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		-	-
Credit Cards / Purchase Cards		19	40
Total Financing Arrangements		19	40
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		6	1
Total Financing Arrangements Utilised		6	1

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

(ii) Secured Loan Liabilities

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

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		3,134	25
Land for Parking		-	265
Total Commitments		3,134	290
These expenditures are payable as follows:			
Within the next year		3,134	290
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		3,134	290
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	290
Unexpended Loans		1,625	-
New Loans (to be raised)		1,509	-
Total Sources of Funding		3,134	290
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		45	88
Waste Management Services		5,146	6,221
Other		324	714
Total Commitments		5,515	7,023
These expenditures are payable as follows:			
Within the next year		1,306	1,334
Later than one year and not later than 5 years		4,209	4,692
Later than 5 years		-	997
Total Payable		5,515	7,023

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) 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		57	87
Later than one year and not later than 5 years		28	85
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		85	172

b. Non Cancellable Operating Leases include the following assets:

Computers and Printers

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.

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year		500	373
Later than one year and not later than 5 years		1,476	494
Later than 5 years		-	-
Total Payable		1,976	867

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods	
			2010	2009
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>14,715</u>	2.99 : 1	4.16	3.83
Current Liabilities less Specific Purpose Liabilities ^(2,3)	4,928			
2. Debt Service Ratio				
Debt Service Cost	<u>179</u>	0.91%	1.15%	1.79%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	19,758			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>9,703</u>	32.49%	32.89%	34.77%
Income from Continuing Operations	29,869			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>784</u>	7.24%	9.13%	12.30%
Rates, Annual & Extra Charges Collectible	10,830			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>3,402</u>	50.69%	69.47%	61.00%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	6,712			

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(c) - 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 or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions</u> ⁽¹⁾	106.99 : 1	62.86 : 1	2.99 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	0.00%	0.05%	1.18%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	37.75%	79.78%	27.93%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	30.21%	9.47%	3.76%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals</u> ⁽⁴⁾ [Buildings & Infrastructure]	0.00%	0.00%	62.49%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,266</u>	<u>1,266</u>
Reconciliation of Annual Movement:			
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,266</u>	<u>1,266</u>
(b) Valuation Basis			
<p>The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.</p>			
<p>The 2011 revaluations were based on Independent Assessments made by: Mr Martin Burns of Liquid Pacific Pty Ltd (conducted in 2009/2010 financial year).</p>			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		-	-
Later than 1 year but less than 5 years		-	-
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		<u>-</u>	<u>-</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		124	72
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(14)	(27)
Net Revenue Contribution from Investment Properties		<u>110</u>	<u>45</u>
plus: Fair Value Movement for year		-	-
Total Income attributable to Investment Properties		<u>110</u>	<u>45</u>

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	21,510	21,815	21,636	21,815
Investments				
- "Held to Maturity"	10,500	8,500	10,500	8,500
Receivables	8,408	4,138	8,409	4,138
Total Financial Assets	40,418	34,453	40,545	34,453
Financial Liabilities				
Payables	3,549	1,721	3,519	1,721
Loans / Advances	3,551	1,142	3,591	1,142
Total Financial Liabilities	7,100	2,863	7,110	2,863

Fair Value is determined as follows:

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 1% movement in Interest Rates	295	295	295	295
2010				
Possible impact of a 1% movement in Interest Rates	280	280	280	280

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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.

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

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

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

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

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	6,191	-	2,116
Past due by more than 1 year	625	1,594	781	1,248
	<u>625</u>	<u>7,785</u>	<u>781</u>	<u>3,364</u>

(ii) Movement in Provision for Impairment of Receivables

	2011	2010
Balance at the beginning of the year	7	6
+ new provisions recognised during the year	-	1
- amounts provided for but recovered during the year	(3)	-
- previous impairment losses reversed	(2)	-
Balance at the end of the year	<u>2</u>	<u>7</u>

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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		
2011									
Trade/Other Payables	131	3,378	-	-	-	-	-	3,509	3,549
Loans & Advances	-	310	150	164	176	191	2,600	3,591	3,551
Total Financial Liabilities	131	3,688	150	164	176	191	2,600	7,100	7,100
2010									
Trade/Other Payables	158	1,563	-	-	-	-	-	1,721	1,721
Loans & Advances	-	93	58	62	66	69	794	1,142	1,142
Total Financial Liabilities	158	1,656	58	62	66	69	794	2,863	2,863

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	3,549	0.0%	1,721	0.0%
Loans & Advances - Fixed Interest Rate	3,551	8.4%	1,142	7.8%
	<u>7,100</u>		<u>2,863</u>	

Bellinghen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 22nd June 2011.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	9,779	9,703	(76)	(1%)	U
User Charges & Fees	4,003	4,474	471	12%	F
The difference is attributed to a higher than expected State Road works program for the year (\$605k extra), more collected in staff vehicle lease fees (\$16 extra). These increases in budget were offset by shortfall in revenue collected for Quarries (\$50k down), Onsite Sewerage Management inspections (\$20k down), development application fees revenue (\$9k down)					
Interest & Investment Revenue	1,539	1,843	304	20%	F
Interest income was higher than budget by \$304k as the original budget was set based on a conservative approach given the nature of the economy at the time the budget was set.					
Other Revenues	334	531	197	59%	F
Other income was higher as a result of Workers Compensation income received not being budgeted for (\$116k), commercial rental income received above budget (39k), legal action fees for outstanding rates being recovered (\$20k over budget) and insurance claims not budgeted for (\$15k).					
Operating Grants & Contributions	4,115	8,564	4,449	108%	F
The variance is the result of Council receiving additional grant funding. Some of the main grants are:					
- Flood damage Roads (\$3,723k) & Parks/ Gardens (\$42k), Flood study funding (\$55k), Flood data collection (\$26k)					
- FAG Funding increase (\$37k), Water Loss (\$70k), RTA 40km zone signage (\$40k), Waste Performance (\$48k)					
- Environmental grants (\$228k),					

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES (continued)					
Capital Grants & Contributions	2,152	4,754	2,602	121%	F
The variance is the result of Council receiving the following grants:					
- Reconstruction Local Community Infrastructure Program (\$1,358k)					
- Replacement of Peakes Bridge (\$641k) and Deep Creek Bridge (195k)					
- Construction of Youth Centre (\$486k)					
Net Gains from Disposal of Assets	150	-	(150)	(100%)	U
Council did not achieve an expected net gain as the result of asset sales not achieving the desired revenue.					
EXPENSES					
Employee Benefits & On-Costs	9,527	9,554	(27)	(0%)	U
Borrowing Costs	341	111	230	67%	F
The budget difference is the result of a \$2.5 million loan draw down for the Raleigh Depot replacement being delayed until 30th June 2011. The draw down delay meant that interest expense was not incurred (\$253k).					
Materials & Contracts	5,257	8,152	(2,895)	(55%)	U
Flood restoration work was the main factor in the increased use of materials and contracts.					
Depreciation & Amortisation	4,914	8,131	(3,217)	(65%)	U
The increase in depreciation is the result of the Roads and Infrastructure revaluation done during the 2009/2010 financial year (\$3,897k).					
Other Expenses	2,083	2,711	(628)	(30%)	U
Variations include advertising (\$71k), telephone and communications (\$135k), insurance (\$173k)					
Net Losses from Disposal of Assets	-	139	(139)	0%	U

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

Cash Flows from Operating Activities	4,897	6,778	1,881	38.4%	F
A reduction in the User Charges Receivables (from 1,630k in 2010 to \$377k in 2011) as well as a budget reduction in the dept loan repayment (\$314k - 1st loan repayment now due after 30th June 2011 because of late drawdown) and an increase in investment interest revenue (\$304k) account for the variance.					
Cash Flows from Investing Activities	(9,177)	(9,492)	(315)	3.4%	U
Cash Flows from Financing Activities	2,430	2,409	(21)	(0.9%)	U

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	9	-	-	-	-	-	9	-	-	9	-
Roads	2,445	22	-	145	(157)	-	2,455	-	-	2,455	-
Community Facilities	600	25	-	37	-	-	662	-	-	662	-
S94 Contributions - under a Plan	3,054	47	-	182	(157)	-	3,126	-	-	3,126	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	3,054	47	-	182	(157)	-	3,126				-
S94 not under Plans	186	-	-	11	-	-	197	-	-	197	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	5,295	43	-	322	-	-	5,660				
Total Contributions	8,535	90	-	515	(157)	-	8,983	-	-	3,323	-

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Community Services & Amenities

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	
Community Facilities	527	23	-	33	-	-	583	-	-	583	-
Total	527	23	-	33	-	-	583	-	-	583	-

CONTRIBUTION PLAN - South Urunga Development Area

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	10	-	-	1	-	-	11	-	-	11	-
Total	10	-	-	1	-	-	11	-	-	11	-

CONTRIBUTION PLAN - Bellingen Council Roads

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	2,423	22	-	143	(157)	-	2,431	-	-	2,431	-
Total	2,423	22	-	143	(157)	-	2,431	-	-	2,431	-

CONTRIBUTION PLAN - Bridge Replacement

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	12	-	-	1	-	-	13	-	-	13	-
Total	12	-	-	1	-	-	13	-	-	13	-

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - Bushfire Services 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	
Community Facilities	73	2	-	4	-	-	79	-	-	79	-
Total	73	2	-	4	-	-	79	-	-	79	-

CONTRIBUTION PLAN - Bellingen Drainage

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	9	-	-	-	-	-	9	-	-	9	-
Total	9	-	-	-	-	-	9	-	-	9	-

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	
Drainage	8	-	-	1	-	-	9	-	-	9	-
Roads	101	-	-	6	-	-	107	-	-	107	-
Other	77	-	-	4	-	-	81	-	-	81	-
Total	186	-	-	11	-	-	197	-	-	197	-

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category. The Scheme has a net deficit of approximately \$239.5 million as at 30th June 2011.

Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to 10 years in order to rectify this deficit. Council's share of this deficit has been broadly estimated to be in the order of \$665,407 as at 30 June 2011.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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) S94 Plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

Bellingen Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

Council is one of six member Councils of the Clarence Regional Library.

Council is represented on the Clarence Regional Library Committee which is responsible for the policies and procedures. The day to day management of the service is the responsibility of the Executive Officer and the financial reporting is included in the consolidated reports of Clarence Valley Regional Council.

Council makes an annual contribution to the operating expenses of the services for the provision of book stocks and information technology services.

The co-operative arrangement does not establish the share of assets to which Council would be entitled in the event of the winding up of the arrangement.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		259,234	234,294
a. Correction of Prior Period Errors	20 (c)	-	22,735
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		1,071	2,205
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		260,305	259,234

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	268,953	254,100
Total	268,953	254,100

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	254,100	45,864
- Revaluations for the year	14,853	208,236
- Balance at End of Year	268,953	254,100

TOTAL VALUE OF RESERVES

268,953	254,100
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(iii). Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period			
There was no correction of errors during the current reporting period.			
Correction of errors as reported in last year's financial statements.			
Council revalued various asset classes for the 09/10 Year End.			
This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;			
- Roads, Bridges & Footpaths			22,372
- Stormwater Drainage			363
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)		-	22,735
Total Prior Period Adjustments - Prior Period Errors		-	22,735

d. Voluntary Changes in Accounting Policies

The Division of Local Government has amended a Policy decision which now sees General Purpose Grants classified as Operating Grants, regardless of whether Council spent the grants on Capital Purposes.

This has resulted in the change of disclosure from Capital Grants to Operating Grants for the comparative year figures for the following line items

Financial Assistance - Local Roads Component	23
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As a result of the above disclosure changes:

- The overall Operating Result did not change,	
- The reported figure of "Net Operating Result for the year before Grants and Contributions provided for Capital Purposes" increases by:	(23)

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,063	1,669	6,971
User Charges & Fees	1,068	71	3,335
Interest & Investment Revenue	532	290	1,021
Other Revenues	6	2	523
Grants & Contributions provided for Operating Purposes	124	40	8,400
Grants & Contributions provided for Capital Purposes	23	20	4,711
Other Income			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	2,816	2,092	24,961
Expenses from Continuing Operations			
Employee Benefits & on-costs	902	948	7,704
Borrowing Costs	-	1	110
Materials & Contracts	316	578	7,258
Depreciation & Amortisation	682	711	6,738
Impairment	-	-	-
Other Expenses	179	179	2,353
Net Losses from the Disposal of Assets	-	1	138
Total Expenses from Continuing Operations	2,079	2,418	24,301
Operating Result from Continuing Operations	737	(326)	660
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	737	(326)	660
Net Operating Result attributable to each Council Fund	737	(326)	660
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	714	(346)	(4,051)

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

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

Bellingen Shire Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	11,497	6,149	3,864
Investments	-	-	10,500
Receivables	322	150	7,917
Inventories	21	-	267
Other	15	-	36
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	11,855	6,299	22,584
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	19
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	33,122	29,332	435,507
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,266
Intangible Assets	-	-	-
Total Non-Current Assets	33,122	29,332	436,792
TOTAL ASSETS	44,977	35,631	459,376
LIABILITIES			
Current Liabilities			
Payables	78	55	3,909
Borrowings	-	6	306
Provisions	-	-	2,560
Total Current Liabilities	78	61	6,775
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	5	3,234
Provisions	-	-	573
Total Non-Current Liabilities	-	5	3,807
TOTAL LIABILITIES	78	66	10,582
Net Assets	44,899	35,565	448,794
EQUITY			
Retained Earnings	16,339	7,990	235,976
Revaluation Reserves	28,560	27,575	212,818
Total Equity	44,899	35,565	448,794

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 7th November 2011.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	
		2011	2010
Tip Remediation	2030	419	400
Quarry Remediation	2015	53	49
Balance at End of the Reporting Period		472	449

10

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	449	426
Amortisation of discount (expensed to borrowing costs)	23	23
Total - Reinstatement, rehabilitation and restoration provision	472	449

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.

Bellingen Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Council Information & Contact Details

Principal Place of Business:

Hyde Street
BELLINGEN NSW 2454

Contact Details**Mailing Address:**

PO Box 117
BELLINGEN NSW 2454

Opening Hours:

8.30am to 4.30pm
Monday to Friday

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers**GENERAL MANAGER**

Mrs E Jeremy

RESPONSIBLE ACCOUNTING OFFICER

Mr K Kershaw

PUBLIC OFFICER

Peter Wilson

AUDITORS

Forsyths
92 Rusden Street
ARMIDALE NSW 2350

Elected Members**MAYOR**

Cr M Troy

COUNCILLORS

Kerrie Child
Gordon Braithwaite
Ian Coe
Bruce Cronin
David Scott
Sean Tuohy

Other Information

ABN: 26 066 993 265

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Bellingen Shire Council

SCOPE

The financial statements comprise the Income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the Local Government Act 1993 for Bellingen Shire Council (the Council), for the year ended 30th June 2011.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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

INDEPENDENCE

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

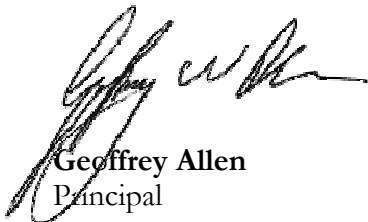
AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- (b) the general purpose financial statements:
 - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2011 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey Allen
Principal

7th November 2011
92 Rusden Street Armidale

7 November 2011

The Mayor
Bellingen Shire Council
PO Box 117
Bellingen 2454

Armidale

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e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Mr Mayor

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2011 and have issued our audit opinion on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

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

Audit Objectives

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

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

Scope of the Audit

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation



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

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

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

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

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Bellingen Shire Council for the year ended 30 June 2011 included on Bellingen Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Additional Reporting Requirements**

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

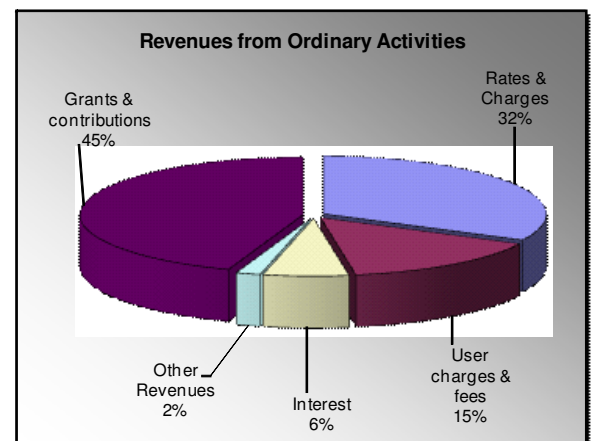
The Income Statement for the year ended 30 June 2011 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2011	2011	2010	Actual	Budget
	\$'000	\$'000	\$'000	%	
INCOME					
Rates & annual charges	9,779	9,703	9,228	5.1%	-0.8%
User charges & fees	4,003	4,474	4,921	-9.1%	11.8%
Interest	1,539	1,843	1,450	27.1%	19.8%
Other revenues from ordinary activities	334	531	546	-2.7%	59.0%
Grants & contributions - Operating	4,115	8,564	9,298	-7.9%	108.1%
Grants & contributions - Capital	2,152	4,754	2,424	96.1%	120.9%
Gain from sale of assets	150	0	187	0.0%	0.0%
Total Revenue from Ordinary Activities	22,072	29,869	28,054	6.5%	35.3%
EXPENSES					
Employee costs	9,527	9,554	8,641	10.6%	0.3%
Borrowing costs	341	111	119	-6.7%	-67.4%
Materials and contracts	5,257	8,152	9,404	-13.3%	55.1%
Depreciation & amortisation	4,914	8,131	5,058	60.8%	65.5%
Other expenses from ordinary activities	2,083	2,711	2,627	3.2%	30.1%
Impairment losses	0	0	0	0.0%	0.0%
Total Expenses from Ordinary Activities	22,122	28,798	25,849	11.4%	30.2%
NET OPERATING RESULT FOR THE YEAR	(50)	1,071	2,205	-4.9%	5.1%
Net operating result before capital grants	(2,202)	(3,683)	(219)	-101.1%	-115.8%

The financial statements report an operating surplus of \$1.1m for the year compared with a surplus of \$2.2m in the previous year. This result includes grants for capital purposes of \$4.7m. The expenditure of these grants is not recorded in this statement but in the Balance Sheet and when excluded the surplus reverts to a deficit of \$3.6m (2010: deficit \$0.2m).

Total income increased by 6.5%. The increase was a result of increases in rates and annual charges of 5.1% due in rate rises, increased domestic waste charges and water supply charges; increases in interest and investment revenue of 27.1% a result of favourable markets; and increases in capital grants and contributions of 96.1% due to additional grants for community infrastructure, bridge replacement and the youth centre. These increases were partially offset by a decrease in User Charges & Fees of 9.1% and Grants & Contributions – Operational of 7.8%.

Expenditure increased by 11.4% on the previous year largely as a result of: increased employee costs of 10.6% mainly due to overtime payments in relation to the work required from six floods during the year; Depreciation & Amortisation of 60.8% due to a full year of depreciation following the revaluation of infrastructure and change in depreciation calculation due to condition assessment



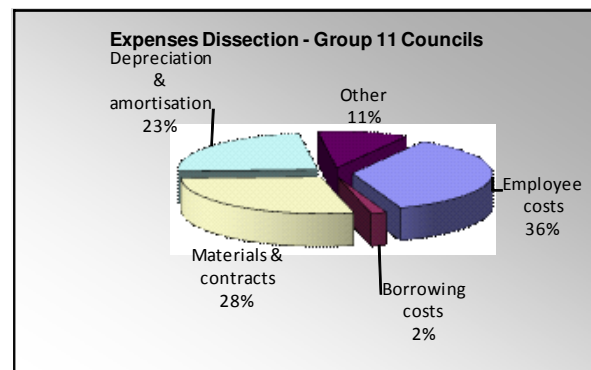
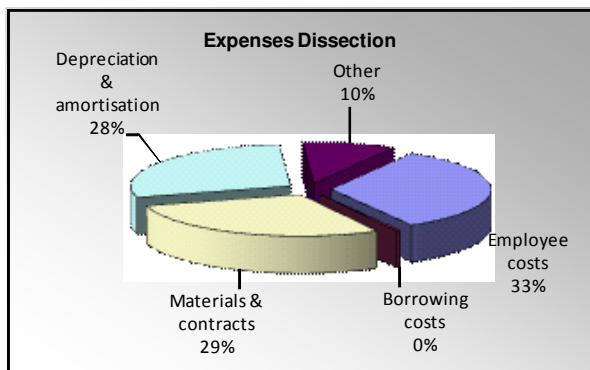


measurements. These increases were partially offset by a reduction in Materials & Contracts of 13.3% with Council expending more on capital projects in 2011.

The actual operating deficit (excluding capital income) for the year of \$3.7m compares with the original budget deficit of \$2.2m. The variation between the actual results and the original budget is primarily due to the following:

Budget Variations > than 10% and > \$1m	Comment
User charges & fees	471,000 Favourable variance to budget mainly due to higher than expected State road works funding during the year.
Interest & Investment revenues	304,000 Favourable variance to budget as the budget was conservative due to the economic climate.
Operating Grants	4,449,000 Operating grants were favourable to budget mainly due to the additional grants received in relation to the flood damage (\$3.7m), environmental grants (\$0.2m) other miscellaneous grants (\$0.5m).
Capital Grants	2,602,000 Capital grants were favourable to budget due to grants for local community infrastructure of \$1.4m, replacement bridge funding of \$0.8m and Youth Centre construction grant of \$0.5m.
Materials & Contracts	(2,895,000) Unfavourable to budget due to flood restoration works carried out during the year as well as the construction of the Youth Centre and Raleigh Depot.
Depreciation & Amortisation	(3,217,000) Unfavourable to budget as the budget had not allowed for the increase in roads and related infrastructure as a result of the revaluation during the 2010 year.
Other Costs	(628,000) Unfavourable to budget mainly because the budget had not allowed for increases in advertising, telephone and communications and insurance

Below is a comparison of expense dissections for the Council for 2011 compared to the average of Group 11 Councils for 2010 (last available data).

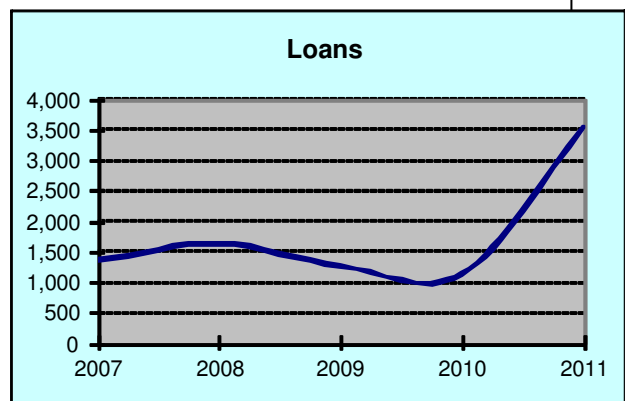
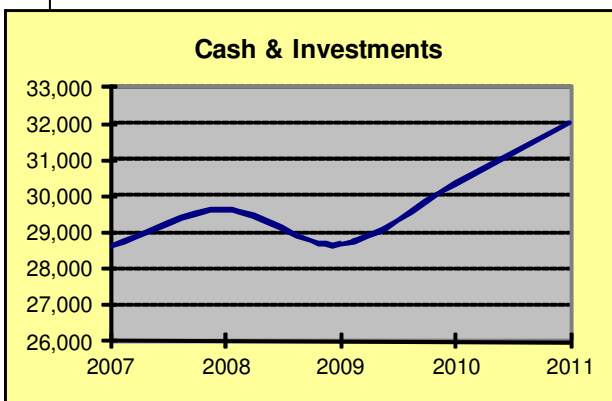


We note that Council's expenditure dissection is similar to Group 11 Councils with depreciation & amortisation and materials & contracts are higher than average. This reflects the amount and condition of Councils infrastructure and the level of maintenance work as a result of the flood events during the year.



The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2011. This schedule discloses the consolidated assets and liabilities of all functions.

BALANCE SHEET (NCA Format)	2011 \$'000	2010 \$'000	Variance
CURRENT ASSETS			
Cash Assets	21,510	21,815	-1.4%
Investment securities	10,500	8,500	23.5%
Receivables	8,389	4,110	104.1%
Inventories	288	318	-9.4%
Other	51	142	-64.1%
TOTAL CURRENT ASSETS	40,738	34,885	16.8%
CURRENT LIABILITIES			
Payables	4,042	1,829	121.0%
Interest Bearing Liabilities	312	93	235.5%
Provisions	2,661	2,330	14.2%
TOTAL CURRENT LIABILITIES	7,015	4,252	65.0%
NET CURRENT ASSETS	33,723	30,633	10.1%
NON-CURRENT ASSETS			
Receivables	19	28	-32.1%
Investment Property	1,266	1,266	0.0%
Property Plant & Equipment	497,961	483,032	3.1%
TOTAL NON-CURRENT ASSETS	499,246	484,326	3.1%
NON-CURRENT LIABILITIES			
Provisions	472	576	-18.1%
Interest Bearing Liabilities	3,239	1,049	208.8%
TOTAL NON-CURRENT LIABILITIES	3,711	1,625	128.4%
NET ASSETS	529,258	513,334	3.1%



Cash and Investments as at 30th June 2011 stand at \$32.0m compared to \$30.3m in 2010 due to the positive cash provided by operations and unexpended borrowings in relation the Raleigh Depot construction project.

Receivables have increased by \$4.2m mainly due to RTA grants receivable at year end in relation to flood damage work activity.

Borrowings have increased by \$2.4m to fund the construction of the Raleigh Depot.



Payables have increased by \$2.2m due to costs incurred in relation to flood resoration work and the construction of the Raleigh depot.

WORKING CAPITAL

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose. The following table isolate these restrictions:

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	11,855	6,299	399	22,185	40,738
Current Liabilities	78	61	-	6,876	7,015
Net Current Assets	11,777	6,238	399	15,309	33,723
Add back Employee Entitlements > 12 months	-	-	-	1,712	1,712
LESS: Current Restricted Cash & Investments (Included in Revenue)					
Deposits, Bonds, etc	-	-	-	130	130
Developer Contributions	3,510	2,150	-	3,322	8,982
Unexpended Grants	-	-	-	3,085	3,085
Environmental Levy	-	-	-	172	172
Crown Reserves incl Anchors Wharf	-	-	-	99	99
Special Rate Levy - Roads	-	-	-	662	662
	3,510	2,150	-	7,470	13,130
FUNDS AVAILABLE After external restrictions	8,267	4,088	399	9,551	22,305
LESS: INTERNAL RESTRICTIONS	-	-	-	6,603	6,603
NET FUNDS After Internal Restrictions	8,267	4,088	399	2,948	15,702

INTERNAL RESTRICTIONS	Opening	Transfers		Closing
	1-Jul \$'000	to \$'000	from \$'000	30-Jun \$'000
Employee Entitlements	558	309	136	731
Infrastructure Replacement	1,862	374	1,546	690
Plant Replacement	1,183	950	-	2,133
Carry-over works	72	56	13	115
Business Plans	10	-	-	10
Land Development	82	-	-	82
Waste Management (Non-Domestic)	203	36	-	239
Depot Loan Unspent	-	1,625	-	1,625
IT Reserve	405	63	90	378
Environmental and Heritage	20	10	-	30
Recreation	44	-	40	4
Emergency Services	97	39	-	136
Training & Development	50	-	-	50
Youth Centre Operations	100	-	-	100
Streetscape Improvements	105	-	-	105
Support Services	-	21	-	21
Stormwater Management Program	-	25	-	25
Workers Comp Contingency	129	-	-	129
	4,920	3,508	1,825	6,603

The above table demonstrates that the General fund has available funds of \$9.5m before setting aside funds in reserves (internal restrictions). After funding \$6.6m (2010: \$4.9m) in internal restrictions, Council has \$2.9m (2010: \$2.5m) to fund day to day working capital requirements.



Council has internally restricted \$731,000 to fund non-current employee leave entitlements. This restriction represents 28% of current leave entitlements. This funding is considered adequate given that the annual leave component is traditionally provided for in Council's current year budget.

PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2011	2010	2009	2008	2007
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.93	4.16	3.83	3.14	4.4
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	0.9%	1.2%	1.8%	1.0%	1.3%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	32.4%	32.9%	34.8%	41.0%	41.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	7.2%	9.1%	12.3%	11.9%	6.7%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.51	0.69	0.61	1.21	-

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.93 compares to the Group 11 Council average of 3.84 and a State average of 2.71 for 2010 (last available information). A ratio of 2 or better is generally viewed by the industry as good.

The debt service ratio has decreased due to a reduction of debt servicing costs. The ratio of 0.9% compares with the average of 3.97% for Group 11 Councils and a State average of 4.99% in 2010.

The rate coverage ratio shows that 32.4% of the Council's income is derived from rates and charges. This compares to the average of 37.28% for Group 11 Councils and a NSW state average of 47.26% in 2010.

The outstanding rates and charges ratio of 7.2% is an improvement on the prior year, however it is considered too high and reflects the delay in debt recovery action. The Group 11 outstanding rates and charges ratio was 8.26% and the State average was 5.31%.

The asset renewals ratio was established by the Department of Local Government from the 2007 year. The ratio is to assist readers of the financial statements to assess Council's performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense).



The ratio for 2011 highlights that Council expended about 51 cents on asset renewals for every \$1 of estimated reduction in asset condition in the same period. In essence, the ratio is explaining that, in financial terms, Council's overall infrastructure has deteriorated during the year. This compares to the average of 94 cents for Group 11 councils and a NSW State average of 84 cents in 2010.

Overall the financial indicators show that Council's current financial standing as at 30th June 2011 is sound.

The increase in current cash and investments is evident in the following table extracted from the Statement of Cash Flows.

CASH & INVESTMENT MOVEMENTS	Actual 2011	Actual 2010	Variance
	\$'000	\$'000	%
CASH & INVESTMENT INFLOWS			
Operating Receipts	26,803	30,722	-12.8%
Proceeds from Assets Sales	393	385	2.1%
Repayment from Deferred Debtors	6	16	-63%
Proceeds from sale of investment securities	0	5,005	0.0%
Proceeds from Borrowings	2,500	0	0.0%
TOTAL RECEIPTS	29,702	36,128	-17.8%
CASH & INVESTMENT OUTFLOWS			
Operating Payments	20,025	22,375	-10.5%
Purchase of Assets	7,895	6,953	13.5%
Purchase of investment securities	1,996	0	0.0%
Repayment of Loans	91	127	-28.3%
Purchase of investment property	0	0	0.0%
TOTAL PAYMENTS	30,007	29,455	1.9%
CASH & INVESTMENT MOVEMENT	-305	6,673	-104.6%
Cash Assets	21,510	21,815	-1.4%
Investment securities	10,500	8,500	23.5%
Total Cash & Investments on Hand	32,010	30,315	5.6%

Total cash and investment balance increased from \$30.3m in 2010 to \$32.0m due to positive operational cash flows and increased borrowings for the Raleigh Depot.

Cash Outflows for "Purchase of Assets" included road and bridge construction totalling \$2.7m. This compares with the \$4.6m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$6.0m.

Other assets purchased during the year included items of plant worth \$2.1m, buildings worth \$1.1m and water, sewer and stormwater infrastructure of \$1.3m.



SPECIAL PURPOSE REPORTS

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

WATER SUPPLY FUNCTION

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$666,000 after allowing for depreciation of \$682,000.

The Net Current Asset position records a positive balance of \$11,777,000 compared to \$11,305,000 for the previous year. The net current asset position is considered good, especially given the fund has no debt and the condition of water infrastructure assets in Special Schedule 7 (unaudited) is "fair".

SEWERAGE SERVICES

The Special Purpose Financial Reports disclose that the Sewerage function recorded an operating deficit (before capital funding) of \$394,000 after allowing for depreciation of \$711,000. The current level of Net Current Assets of \$6,238,000 is sound given the size of the function and considering the fund has minimal debt and the condition of sewerage infrastructure assets in Special Schedule 7 (unaudited) is "fair".

GENERAL

Reporting obligations under the Local Government Act

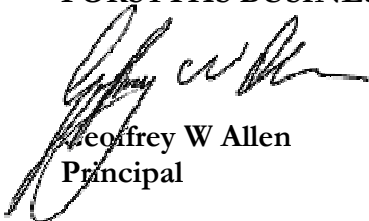
It is pleasing to report that Council's systems and records have been well maintained during the year. The audited accounts are being submitted to the Department of Local Government after the legislated deadline of 31 October 2011 but within the approved extended timeframe of 7 November 2011. However, it is noted that the *Local Government Act 1993* does not contain a provision for an extension of time to lodge the annual financial statements beyond 31 October 2011.

We take this opportunity of thanking the General Manager and her staff for their co-operation and assistance during the course of the audit.

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

Yours faithfully

FORSYTHS BUSINESS SERVICES PTY LTD



Geoffrey W Allen
Principal

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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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).
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BELLINGEN SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL REPORTS
for the year ending 30 June 2011

STATEMENT BY COUNCILLORS AND MANAGEMENT
MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING
PRACTICE AND FINANCIAL REPORTING

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


- NSW Government Policy Statement “Application of National Competition Policy to local Government”.
- Department of Local Government Guidelines “Pricing and Costing for Council Business: A Guide to Competitive Neutrality”.
- The Local Government Code of Accounting Practice and Financial Reporting.
- The Department of water and Energy Practice Management of Water Supply and sewerage Guidelines.


To the best of our knowledge and belief, these Reports

- Present fairly the Council’s operating result and financial position for the year, and
- Accord with Council’s accounting and other records.

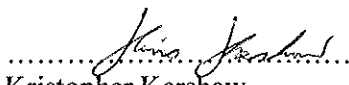
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 7 November 2011


.....
Cr Mark Troy
MAYOR


.....
Cr Kerry Child
COUNCILLOR


.....
Liz Jeremy
GENERAL MANAGER


.....
Kristopher Kershaw
RESPONSIBLE ACCOUNTING OFFICER

Bellingen Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	1,063	990	909
User charges	1,020	1,056	936
Fees	48	44	39
Interest	532	476	502
Grants and contributions provided for non capital purposes	124	51	53
Profit from the sale of assets	-	13	-
Other income	6	1	-
Total income from continuing operations	2,793	2,631	2,439
Expenses from continuing operations			
Employee benefits and on-costs	902	791	697
Borrowing costs	-	-	-
Materials and contracts	316	433	419
Depreciation and impairment	682	673	631
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	48	45	41
Debt guarantee fee (if applicable)	-	-	-
Other expenses	179	161	189
Total expenses from continuing operations	2,127	2,103	1,977
Surplus (deficit) from Continuing Operations before capital amounts	666	528	462
Grants and contributions provided for capital purposes	23	304	132
Surplus (deficit) from Continuing Operations after capital amounts	689	832	594
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	689	832	594
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(200)	(158)	(139)
SURPLUS (DEFICIT) AFTER TAX	489	674	455
plus Opening Retained Profits	15,615	14,751	14,129
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	48	45	41
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	200	158	139
less:			
- Tax Equivalent Dividend paid	(13)	(13)	(13)
- Surplus dividend paid	-	-	-
Closing Retained Profits	16,339	15,615	14,751
Return on Capital %	2.0%	2.0%	1.8%
Subsidy from Council	1,060	834	479
Calculation of dividend payable:			
Surplus (deficit) after tax	489	674	455
less: Capital grants and contributions (excluding developer contributions)	-	(246)	-
Surplus for dividend calculation purposes	489	428	455
Potential Dividend calculated from surplus	245	214	228

Bellingen Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	1,669	1,568	1,461
User charges	71	67	65
Liquid Trade Waste charges	-	-	-
Fees	-	-	-
Interest	290	301	350
Grants and contributions provided for non capital purposes	40	39	40
Profit from the sale of assets	-	-	-
Other income	2	5	3
Total income from continuing operations	2,072	1,980	1,919
Expenses from continuing operations			
Employee benefits and on-costs	948	822	704
Borrowing costs	1	1	1
Materials and contracts	578	586	560
Depreciation and impairment	711	683	638
Loss on sale of assets	1	7	8
Calculated taxation equivalents	47	55	50
Debt guarantee fee (if applicable)	1	1	1
Other expenses	179	162	103
Total expenses from continuing operations	2,466	2,317	2,065
Surplus (deficit) from Continuing Operations before capital amounts	(394)	(337)	(146)
Grants and contributions provided for capital purposes	20	54	94
Surplus (deficit) from Continuing Operations after capital amounts	(374)	(283)	(52)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(374)	(283)	(52)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(374)	(283)	(52)
plus Opening Retained Profits	8,325	8,561	8,571
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	47	55	50
- Debt guarantee fees	1	1	1
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(9)	(9)	(9)
- Surplus dividend paid	-	-	-
Closing Retained Profits	7,990	8,325	8,561
Return on Capital %	-1.3%	-1.4%	-0.6%
Subsidy from Council	1,921	1,599	-
Calculation of dividend payable:			
Surplus (deficit) after tax	(374)	(283)	(52)
less: Capital grants and contributions (excluding developer contributions)	-	(1)	(11)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Bellingen Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	11,497	10,923
Investments	-	-
Receivables	322	397
Inventories	21	21
Other	15	-
Non-current assets classified as held for sale	-	-
Total Current Assets	11,855	11,341
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	33,122	26,704
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	33,122	26,704
TOTAL ASSETS	44,977	38,045
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	78	36
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	78	36
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	78	36
NET ASSETS	44,899	38,009
EQUITY		
Retained earnings	16,339	15,615
Revaluation reserves	28,560	22,394
Council equity interest	44,899	38,009
Minority equity interest	-	-
TOTAL EQUITY	44,899	38,009

Bellingen Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	6,149	6,475
Investments	-	-
Receivables	150	177
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	6,299	6,652
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	29,332	24,765
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	29,332	24,765
TOTAL ASSETS	35,631	31,417
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	55	37
Interest bearing liabilities	6	3
Provisions	-	-
Total Current Liabilities	61	40
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	5	8
Provisions	-	-
Total Non-Current Liabilities	5	8
TOTAL LIABILITIES	66	48
NET ASSETS	35,565	31,369
EQUITY		
Retained earnings	7,990	8,325
Revaluation reserves	27,575	23,044
Council equity interest	35,565	31,369
Minority equity interest	-	-
TOTAL EQUITY	35,565	31,369

Bellingen Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

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Bellingen Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Bellingen Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Bellingen, Urunga, North Beach and Dorrigo.

b. Bellingen Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Bellingen, Urunga and Dorrigo.

Category 2

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

Nil

Monetary Amounts

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

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

Bellingen Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

(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):

Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/11.

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 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	48,000
(ii)	No of assessments multiplied by \$3/assessment	12,846
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	12,846
(iv)	Amounts actually paid for Tax Equivalents	12,846

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	244,600
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	115,614
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	1,372,200

2011 Surplus	489,200	2010 Surplus	427,600	2009 Surplus	455,400
		2010 Dividend	-	2009 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	115,614
(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)	NO
(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]	NO
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	NO
(iv)	Sound Drought Management implemented	NO
(v)	Complete Performance Reporting Form (by 15 September each year)	NO
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	2,286
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)]	%	48.97%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	33,005
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,310
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	776
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.89%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	48,000
(ii)	No of assessments multiplied by \$3/assessment	9,378
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	9,378
(iv)	Amounts actually paid for Tax Equivalents	9,378

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)	84,402
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(721,000)

2011 Surplus	(374,000)	2010 Surplus	(284,000)	2009 Surplus	(63,000)
		2010 Dividend	-	2009 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)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2011
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000 1,802
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000 28,910
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000 1,627
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000 842
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	% -1.83%
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 4,088
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	% 2.23%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000 1,618
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)]	% -0.39%
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%

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

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

2011

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-21.92%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 242 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: - 818 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	367
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	91

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

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ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Bellingen Shire Council

SCOPE

We have audited the special purpose financial statements of Bellingen Shire Council for the year ended 30th June 2011 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that 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 the Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement.

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

The special purpose financial statements have been prepared for distribution to the Council and the 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 report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

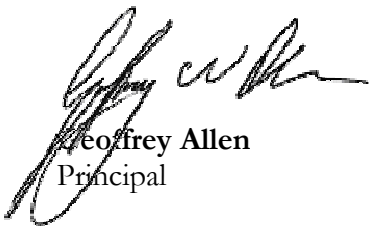
In our opinion, the Special Purpose Financial statements of the Bellingen Shire Council for the year ended 30th June 2011 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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

Forsyth's

Forsyth's Business Services Pty Ltd



Geoffrey Allen
Principal

7th November 2011
92 Rusden Street Armidale

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2011

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Schedules

for the financial year ended 30 June 2011

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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.

Bellingen Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	223	-	-	(223)
Administration	3,352	269	48	(3,035)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	944	447	906	409
Beach Control	151	-	-	(151)
Enforcement of Local Govt Regs	-	2	-	2
Animal Control	99	14	-	(85)
Other	58	24	-	(34)
Total Public Order & Safety	1,252	487	906	141
Health	577	21	-	(556)
Environment				
Noxious Plants and Insect/Vermin Control	194	56	-	(138)
Other Environmental Protection	482	234	-	(248)
Solid Waste Management	2,547	2,261	-	(286)
Street Cleaning	205	-	-	(205)
Drainage	-	-	-	-
Stormwater Management	248	1	-	(247)
Total Environment	3,676	2,552	-	(1,124)
Community Services and Education				
Administration & Education	126	47	508	429
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	202	220	15	33
Childrens Services	121	1	-	(120)
Total Community Services & Education	449	268	523	342
Housing and Community Amenities				
Public Cemeteries	42	36	-	(6)
Public Conveniences	316	-	-	(316)
Street Lighting	117	8	-	(109)
Town Planning	995	262	-	(733)
Other Community Amenities	4	-	-	(4)
Total Housing and Community Amenities	1,474	306	-	(1,168)
Water Supplies	2,089	2,694	23	628
Sewerage Services	2,439	2,050	20	(369)

Bellingen Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	552	55	-	(497)
Museums	19	-	-	(19)
Art Galleries	-	-	-	-
Community Centres and Halls	185	1	37	(147)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	5	-	-	(5)
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	219	-	-	(219)
Parks & Gardens (Lakes)	740	5	15	(720)
Other Sport and Recreation	-	62	1,491	1,553
Total Recreation and Culture	1,720	123	1,543	(54)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	145	86	-	(59)
Other Mining, Manufacturing & Construction	30	1	-	(29)
Total Mining, Manufacturing and Const.	175	87	-	(88)
Transport and Communication				
Urban Roads (UR) - Local	-	-	-	-
Urban Roads - Regional	1,753	-	7	(1,746)
Sealed Rural Roads (SRR) - Local	2,860	3,780	606	1,526
Sealed Rural Roads - Regional	725	416	1,011	702
Unsealed Rural Roads (URR) - Local	2,455	-	-	(2,455)
Unsealed Rural Roads (URR) - Regional	38	-	-	(38)
Bridges on UR - Local	91	7	-	(84)
Bridges on SRR - Local	343	-	-	(343)
Bridges on URR - Local	130	-	-	(130)
Bridges on Regional Roads	97	-	54	(43)
Parking Areas	26	-	-	(26)
Footpaths	4	-	-	(4)
Aerodromes	-	-	-	-
Other Transport & Communication	2,525	2,886	13	374
Total Transport and Communication	11,047	7,089	1,691	(2,267)
Economic Affairs				
Camping Areas & Caravan Parks	15	23	-	8
Other Economic Affairs	310	143	-	(167)
Total Economic Affairs	325	166	-	(159)
Totals – Functions	28,798	16,112	4,754	(7,932)
General Purpose Revenues⁽²⁾		9,003		9,003
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	28,798	25,115	4,754	1,071

(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)

Bellingen Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose) for the financial year ended 30 June 2011

\$'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	93	1,049	1,142	2,500	91	-	-	88	312	3,239	3,551
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	93	1,049	1,142	2,500	91	-	-	88	312	3,239	3,551
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	93	1,049	1,142	2,500	91	-	-	88	312	3,239	3,551

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).

Bellingen 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 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	470	451
b. Engineering and Supervision	256	264
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	72	95
d. Maintenance expenses	86	80
- Reservoirs		
e. Operation expenses	9	10
f. Maintenance expenses	5	4
- Pumping Stations		
g. Operation expenses (excluding energy costs)	6	7
h. Energy costs	119	113
i. Maintenance expenses	19	61
- Treatment		
j. Operation expenses (excluding chemical costs)	144	100
k. Chemical costs	30	44
l. Maintenance expenses	56	44
- Other		
m. Operation expenses	2	2
n. Maintenance expenses	36	21
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	618	600
b. Plant and equipment	64	73
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	87	89
d. Tax Equivalents Dividends (actually paid)	13	13
5. Total expenses	2,092	2,071

Bellingen 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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	1,063	990
b. Usage charges	1,020	1,056
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Extra charges	3	5
9. Interest income	529	471
10. Other income	53	45
11. Grants		
a. Grants for acquisition of assets	-	246
b. Grants for pensioner rebates	51	51
c. Other grants	73	-
12. Contributions		
a. Developer charges	23	58
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>2,815</u>	<u>2,922</u>
14. Gain or loss on disposal of assets	1	13
15. Operating Result	<u>724</u>	<u>864</u>
15a. Operating Result (less grants for acquisition of assets)	724	618

Bellingen 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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	181	-
b. New Assets for Growth	389	665
c. Renewals	190	-
d. Plant and equipment	16	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	776	665
Non-operating funds employed		
20. Proceeds from disposal of assets	3	47
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	3	47
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	3,720	3,694
b. Residential (unoccupied, ie. vacant lot)	130	129
c. Non-residential (occupied)	408	408
d. Non-residential (unoccupied, ie. vacant lot)	24	24
25. Number of ETs for which developer charges were received	5 ET	11 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 92,254	\$ 50,608

Bellingen Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2011

\$'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 2010/11 (page 47 of Guidelines)			<input type="text" value="-"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Bellingen Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	3,510	-	3,510
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	7,987	-	7,987
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	322	-	322
c. Other	15	-	15
32. Inventories	21	-	21
33. Property, plant and equipment			
a. System assets	-	33,005	33,005
b. Plant and equipment	-	117	117
34. Other assets	-	-	-
35. Total assets	<u>11,855</u>	<u>33,122</u>	<u>44,977</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	78	-	78
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>78</u>	<u>-</u>	<u>78</u>
41. NET ASSETS COMMITTED	<u>11,777</u>	<u>33,122</u>	<u>44,899</u>
EQUITY			
42. Accumulated surplus			16,339
43. Asset revaluation reserve			28,560
44. TOTAL EQUITY			<u>44,899</u>
Note to system assets:			
45. Current replacement cost of system assets			54,486
46. Accumulated current cost depreciation of system assets			(21,481)
47. Written down current cost of system assets			<u>33,005</u>

Bellingen Shire Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	373	339
b. Engineering and Supervision	145	180
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	46	33
b. Maintenance expenses	74	112
- Pumping Stations		
c. Operation expenses (excluding energy costs)	82	79
d. Energy costs	53	50
e. Maintenance expenses	100	81
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	230	233
g. Chemical costs	47	89
h. Energy costs	100	70
i. Effluent Management	6	6
j. Biosolids Management	173	78
k. Maintenance expenses	165	137
- Other		
l. Operation expenses	2	1
m. Maintenance expenses	31	15
3. Depreciation expenses		
a. System assets	650	661
b. Plant and equipment	61	22
4. Miscellaneous expenses		
a. Interest expenses	1	1
b. Revaluation Decrements	-	-
c. Other expenses	78	67
d. Tax Equivalent Dividends (actually paid)	9	9
5. Total expenses	2,426	2,263

Bellingen 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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	1,669	1,568
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	71	67
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	290	301
11. Other income	2	5
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	40	39
c. Other grants	-	-
13. Contributions		
a. Developer charges	20	54
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>2,092</u>	<u>2,034</u>
15. Gain or loss on disposal of assets	(1)	(7)
16. Operating Result	<u>(335)</u>	<u>(236)</u>
16a. Operating Result (less grants for acquisition of assets)	(335)	(236)

Bellingen 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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	15	-
b. New Assets for Growth	464	886
c. Renewals	123	-
d. Plant and equipment	240	-
18. Repayment of debt		
a. Loans	-	3
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	842	889
Non-operating funds employed		
21. Proceeds from disposal of assets	50	29
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	50	29
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	2,743	2,746
b. Residential (unoccupied, ie. vacant lot)	94	94
c. Non-residential (occupied)	281	281
d. Non-residential (unoccupied, ie. vacant lot)	8	8
26. Number of ETs for which developer charges were received	4 ET	12 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 71,814	\$ 72,438

Bellingen Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text" value="-"/>
** 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.

Bellingen Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,150	-	2,150
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	3,999	-	3,999
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	150	-	150
c. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	28,910	28,910
b. Plant and equipment	-	422	422
35. Other assets	-	-	-
36. Total Assets	<u>6,299</u>	<u>29,332</u>	<u>35,631</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	55	-	55
39. Borrowings			
a. Loans	11	-	11
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>66</u>	<u>-</u>	<u>66</u>
42. NET ASSETS COMMITTED	<u>6,233</u>	<u>29,332</u>	<u>35,565</u>
EQUITY			
42. Accumulated surplus			7,990
44. Asset revaluation reserve			<u>27,575</u>
45. TOTAL EQUITY			<u>35,565</u>
Note to system assets:			
46. Current replacement cost of system assets			51,935
47. Accumulated current cost depreciation of system assets			<u>(23,025)</u>
48. Written down current cost of system assets			<u>28,910</u>

Bellingen Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2011

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Bellingen Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	29,869	30,138	23,463	22,731	23,293
Expenses from continuing operations	28,798	20,042	16,619	16,998	17,495
Operating Result from Continuing Operations	<u>1,071</u>	<u>10,096</u>	<u>6,844</u>	<u>5,733</u>	<u>5,798</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	1,500	-	-	-	-
Replacement/Refurbishment of Existing Assets	7,761	13,380	5,887	3,921	3,854
Total Capital Budget	<u>9,261</u>	<u>13,380</u>	<u>5,887</u>	<u>3,921</u>	<u>3,854</u>
Funded by:					
- Loans	593	5,000	2,000	-	-
- Asset sales	393	570	448	328	648
- Reserves	1,640	3,765	11	279	280
- Grants/Contributions	1,932	1,439	1,282	1,282	932
- Recurrent revenue	4,703	2,606	2,146	2,032	1,994
- Other	-	-	-	-	-
	<u>9,261</u>	<u>13,380</u>	<u>5,887</u>	<u>3,921</u>	<u>3,854</u>

Notes:

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.