



Financial Report

**for the year ended
30 June 2011**





Financial Report for the year ended 30 June 2011

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Guide to the Financial Report

Introduction

The financial report identifies how Council has performed financially during the financial year. This guide is designed to assist readers understand the report contents that is required to be presented according to Australian Accounting Standards.

The Financial Report contains the Standard Statements, Financial Statements and Notes that accompany and provide more detail to the Financial Statements. The documents are reviewed by Council's Audit Committee and by Council as well as audited by the Victorian Auditor-General.

Standard Statements

The Standard Statements include the Income Statement, Balance Sheet, Cash Flow Statement as well as the Statement of Capital Works.

These statements provide a comparison between the budget and actual results for the year. By comparison the financial statements provide a comparison between current and prior year actual results.

Explanations regarding the Income Statement, Balance Sheet and the Cash Flow Statement are provided in the Financial Statements section of this guide.

The Statement of Capital Works identifies the expenditure to create or acquire Property, Infrastructure and Equipment assets by each category of asset. The report is further dissected between new (that includes expansion and upgrade) and renewal assets.

Financial Statements

The Financial Statements include the Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Accounts.

Comprehensive Income Statement

This report provides a summary of Council's overall performance by identifying the major line items of income and expenses. The expenses only relate to the operations and do not include costs associated with capital works or the purchase or construction of major assets. While capital items are not included there is a line item for depreciation being the value of capital assets "used up" during the financial year.

The Comprehensive Income Statement consists of the total of income less expenses to calculate the profit or loss. Inclusion of other comprehensive income then produces the comprehensive result.

Balance Sheet

This report provides a snapshot of what Council owns as assets and what it owes as liabilities. The difference between what it owns and owes is the net assets or equity. Council's net worth or equity is built up over the course of a number of years.

Assets are split between current and non-current. Current assets include assets that can be converted to cash within twelve months and include:

- Cash and cash equivalents (investments).
- Trade and other receivables being monies owed to Council.
- Other assets include prepayments of next year's expenses and monies owed to Council.



Guide to the Financial Report

Non-current assets usually include Council assets such as property, equipment and infrastructure including buildings, roads & drains.

Liabilities are also split between current and non-current. Current liabilities include monies that Council owe and is required to be repaid within twelve months. They include:

- Trade and other payables being the value to whom Council owes money as at 30 June.
- Interest bearing loans and borrowings being loan repayments due within the next twelve months.
- Provisions including salary and leave entitlements.
- Trust funds and deposits being monies held in trust by Council to be repaid to third parties.

Net assets is used to describe the difference between total assets and total liabilities. It equals total equity or the net worth of Council. Total equity consists of the following components:

- Accumulated surplus – this is the value of the Council that is accumulated over time being the surplus (or deficit) from the Income Statement.
- Reserves – this includes the value of the asset revaluation reserve and other statutory reserves. The asset revaluation reserve is the value by which the purchase cost of assets has changed over time arising from the revaluation of Council's non-current assets. The other statutory reserves represents the value of unspent monies held for a specific purpose.

Statement of Changes in Equity

Equity is measured by the net worth of Council or assets less liabilities. This statement shows the value of changes in equity during the course of the year. Changes are generally due to:

- The surplus for the year being the amount that income exceeds expenses as reported in the Income Statement.
- Transfer of monies to and from the reserves – monies placed into the reserves or withdrawn to be used during the year.
- Change in the value of assets (non-current assets) due to a revaluation. The equity statement reports the incremental change due to a revaluation.

Cash Flow Statement

This statement provides a summary of Council's cash receipts (inflows) and cash payments (outflows) during the year. The values usually differ to those reported in the Income Statement since the Income Statement is prepared according to accrual accounting while the cash flow statement is based on the receipt and payments.

Cash refers to cash, such as bank deposits, as well as highly liquid investments, such as cash investments, that can readily be converted to cash.

The cash flow statement includes cash to and from the following three sources:

- Cash flows from operating activities
 - Receipts and cash from ratepayers proceeds from user charges, fees and fines, receipts from operating grants as well as earnings from interest on investments.
 - Cash payments to staff, suppliers and contractors.
- Cash flows from investing activities
 - Cash payments for the creation and acquisition of property, infrastructure and equipment. This is the cash applied to fund capital project assets. Also included to this section is cash received from the sale of these assets.



Guide to the Financial Report

- Cash flows from financing activities
 - Records the receipt and payment of loan borrowings.
- Net increase in cash and cash equivalents
 - Identifies the net movement for the year being the total of cash flow from operations, cash flow from investing activities and cash flow from financing activities.

Notes to the Accounts

The notes provide further detail and explanation of the abovementioned statements. Note numbers are shown beside relevant line items in the Comprehensive Income Statement, Balance Sheet and Cash Flow Statement. In addition the notes also identify:

- Council's accounting policies – note 1.
- The income and expenses of Council's main functional areas.
- Transactions with persons related to Council.
- Contingent liabilities – items that may result in a liability if a particular event was to occur (the potential liability is contingent on the occurrence of a particular event).
- Financial performance indicators.



Standard Statements

**for the year ended
30 June 2011**



**Standard Income Statement
for the year ended 30 June 2011**

	Budget 2010/11 \$'000	Actual 2010/11 \$'000	Variances \$'000	%	Ref
Income					
Rates and charges	61,773	62,007	234	0.4	
Grants and contributions - operating	8,640	9,467	827	9.6	
Grants and contributions - capital	1,368	857	(511)	37.4	1
User charges, fees and fines	15,877	17,750	1,873	11.8	2
Interest	1,111	1,668	557	50.1	3
Total income	88,769	91,749	2,980	3.4	
Expenses					
Employee benefits	(29,741)	(31,742)	(2,001)	6.7	4
Materials and services	(17,613)	(17,520)	93	0.5	
External contracts	(21,407)	(22,112)	(705)	3.3	
Depreciation	(11,509)	(11,096)	413	3.6	
Finance costs	(1,183)	(1,170)	13	1.1	
Net loss on disposal of infrastructure, property, plant and equipment	-	(941)	(941)	-	5
Total expenses	(81,453)	(84,581)	(3,128)	3.8	
Surplus for the year	7,316	7,168	(148)	2.0	

**Standard Balance Sheet
as at 30 June 2011**

	Budget 2010/11 \$'000	Actual 2010/11 \$'000	Variations \$'000	%	Ref
Current assets					
Cash and cash equivalents	16,615	22,417	5,802	34.9	6
Trade and other receivables	2,836	4,588	1,752	61.8	7
Inventories	51	80	29	56.9	
Non-current assets held for sale	-	1,970	1,970	-	8
Other assets	620	743	123	19.8	
Total current assets	20,122	29,798	9,676	48.1	
Non-current assets					
Trade and other receivables	106	116	10	9.4	
Infrastructure, property, plant and equipment	1,685,337	1,889,008	203,671	12.1	9
Financial assets	-	200	200	-	
Other assets	200	69	(131)	65.5	
Total non-current assets	1,685,643	1,889,393	203,750	12.1	
Total assets	1,705,765	1,919,191	213,426	12.5	
Current liabilities					
Trade and other payables	6,230	7,459	(1,229)	19.7	10
Interest bearing loans and borrowings	1,500	1,500	-	-	
Provisions	5,508	5,876	(368)	6.7	
Trust funds and deposits	2,581	2,604	(23)	0.9	
Income in advance	-	271	(271)	-	
Total current liabilities	15,819	17,710	(1,891)	12.0	
Non-current liabilities					
Interest bearing loans and borrowings	15,500	15,500	-	-	
Provisions	1,135	622	513	45.2	
Total non-current liabilities	16,635	16,122	513	3.1	
Total liabilities	32,454	33,832	(1,378)	4.2	
Net assets	1,673,311	1,885,359	212,048	12.7	
Equity					
Accumulated surplus	335,594	334,821	(773)	0.2	
Reserves	1,337,717	1,550,538	212,821	15.9	11
Total equity	1,673,311	1,885,359	212,048	12.7	

**Standard Cash Flow Statement
for the year ended 30 June 2011**

	Budget 2010/11 \$'000	Actual 2010/11 \$'000	Variations \$'000	%	Ref
Cash flows from operating activities					
Receipts					
Receipts from ratepayers	61,714	61,900	186	0.3	
Interest received	1,110	1,629	519	46.8	
User charges, fees and fines (inclusive of GST)	16,883	18,300	1,417	8.4	2
Grants and contributions received (inclusive of GST)	10,393	10,532	139	1.3	
Net GST refund	3,507	3,733	226	6.4	
Payments					
Payments to employees	(29,257)	(30,981)	(1,724)	5.9	4
Payments to suppliers (inclusive of GST)	(43,943)	(45,954)	(2,011)	4.6	10
Net cash provided by operating activities	20,407	19,159	(1,248)	6.1	
Cash flows from investing activities					
Payments for property, plant and equipment, infrastructure	(16,551)	(13,109)	3,442	20.8	12
Proceeds from sale of property, plant and equipment, infrastructure	-	7	7	-	
Acquisition of other financial assets	-	(69)	(69)	-	
Net cash used in investing activities	(16,551)	(13,171)	3,380	20.4	
Cash flows from financing activities					
Finance costs	(1,173)	(1,167)	6	0.5	
Proceeds from interest bearing loans and borrowings	1,500	1,500	-	-	
Repayment of interest bearing loans and borrowings	(2,000)	(2,000)	-	-	
Proceeds from trust funds and deposits	123	176	53	43.1	
Net cash used in financing activities	(1,550)	(1,491)	59	3.8	
Net increase in cash and cash equivalents	2,306	4,497	2,191	95.0	
Cash and cash equivalents at the beginning of the year	14,309	17,920	3,611	25.2	
Cash and cash equivalents at the end of the year	16,615	22,417	5,802	34.9	

**Standard Capital Works Statement
for the year ended 30 June 2011**

	Budget 2010/11 \$'000	Actual 2010/11 \$'000	Variances \$'000	%
Capital works area				
Council buildings	4,136	3,825	311	7.5
Information systems	583	375	208	35.7
Library systems	440	441	(1)	0.2
Drainage infrastructure	1,835	1,490	345	18.8
Roads infrastructure	5,475	5,247	228	4.2
Parks and sportsgrounds	2,928	2,238	690	23.6
Foreshore infrastructure	1,154	653	501	43.4
Total capital works	16,551	14,269	2,282	13.8
Types of capital works				
New assets	4,636	4,596	40	0.9
Asset renewal	11,915	9,673	2,242	18.8
Total capital works	16,551	14,269	2,282	13.8

Notes to and forming part of the Standard Statements for the year ended 30 June 2011

Note 1. Basis of preparation of standard statements

Council is required to prepare and include audited standard statements within its annual report.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Finance and Reporting) Regulations 2004*.

The standard statements have been prepared on accounting bases consistent with those used for the general purpose financial report and the budget. The results reported in these statements are consistent with those reported in the general purpose financial report.

The standard statements are not a substitute for the general purpose financial report, which are included in the annual report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The standard statements compare Council's financial plan, expressed through its budget, with actual performance. The *Local Government Act 1989* requires explanation of any material variances. The Council has a materiality threshold of 5 per cent and \$1m. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the standard statements are those adopted by Council on 22 June 2010. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet the Council Plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the general purpose financial report. The public budget document can be obtained by contacting Council or through the Council's website. The standard statements must be read with reference to these documents.

**Notes to and forming part of the Standard Statements
for the year ended 30 June 2011**

Note 2. Variance explanation report to the standard statements

Ref

1. **Grants and contributions - capital**
Under budget due to contribution funding not received
2. **User charges, fees and fines**
Higher than budget due to greater than expected income from resort and recreation levy, planning fees and parking and domestic animal fines.
3. **Interest**
Higher than budget due to higher than expected cash balance brought forward from 2009/10 and higher than expected interest rates.
4. **Employee benefits**
Higher than budget mainly due to Local Authorities Superannuation Fund defined benefit plan 30 June 2010 actuarial investigation and the resultant funding impact as outlined in note 18 of the Financial Statements.
5. **Net loss on disposal of infrastructure, property, plant and equipment**
Unbudgeted \$0.941M loss on disposal due to a write off of road surfacing, footpaths and kerb and channel (earlier than expected replacement).
6. **Cash and cash equivalents**
Higher than budgeted cash and cash equivalents is the result of a higher than expected cash balance brought forward from 2009/10.
7. **Trade and other receivables**
Higher than budget due to outstanding sporting rentals raised in June 2011 and higher than expected net GST receivables.
8. **Non-current assets held for sale**
Unbudgeted \$1.97M land at the rear of 52-54 Middle Crescent Brighton held for sale.
9. **Infrastructure, property, plant and equipment**
Higher than budget due to net asset revaluation increases not budgeted. This includes increases of land \$136.3M, buildings \$1.6M, offset by decreases in roads \$11.8M and drains \$5.4M as at 30 June 2011 and an increase of land \$99.6M, offset by a decrease in buildings \$2.2M as at 30 June 2010. The 2010 revaluations took place after the 2010/11 budget was finalised.
10. **Trade and other payables**
Higher than budget due to capital and other projects completed during June 2011 and not paid at year end.
11. **Reserves**
Higher than budget as the result of asset revaluations not budgeted (refer note 5 above).
12. **Payments for infrastructure, property, plant and equipment**
Lower than budget mainly due to projects carried forward and expected to be completed in the ensuing financial year.



**Certification of Standard Statements
for the year ended 30 June 2011**

In my opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulations 2004*.

PRINCIPAL ACCOUNTING OFFICER
Michael Divens

Dated: September 2011

In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulations 2004*.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the standard statements to be misleading or inaccurate.

We have been authorised by the Council on September 2011 to certify the standard statements in their final form.

MAYOR
Alex del Porto

Dated: September 2011

COUNCILLOR
Clifford Hayes

Dated: September 2011

CHIEF EXECUTIVE OFFICER
Adrian Robb

Dated: September 2011

Financial Statements

**for the year ended
30 June 2011**



**Comprehensive Income Statement
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
Income			
Rates and charges	3	62,007	57,861
Grants and contributions - operating	4	9,467	8,831
Grants and contributions - capital	4	857	2,108
User charges, fees and fines	5	17,750	15,981
Interest		1,668	1,130
Total income		91,749	85,911
Expenses			
Employee benefits	6	(31,742)	(27,721)
Materials, contracts and services	7	(39,632)	(37,928)
Depreciation	8	(11,096)	(10,761)
Finance costs		(1,170)	(1,086)
Net loss on disposal of infrastructure, property, plant and equipment	9	(941)	(1,128)
Total expenses		(84,581)	(78,624)
Surplus for the year		7,168	7,287
Other comprehensive income			
Net asset revaluation increment	10	120,507	98,219
Change arising from a change in estimated restoration cost		-	(828)
Comprehensive result		127,675	104,678

The above statement should be read with the accompanying notes.

**Balance Sheet
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	11	22,417	17,920
Trade and other receivables	12	4,588	3,887
Inventories		80	56
Non-current assets held for sale	13	1,970	-
Other assets	14	743	599
Total current assets		29,798	22,462
Non-current assets			
Trade and other receivables	12	116	150
Property, plant and equipment, infrastructure	15	1,889,008	1,768,246
Financial assets	16	200	-
Other assets		69	200
Total non-current assets		1,889,393	1,768,596
Total assets		1,919,191	1,791,058
Current liabilities			
Trade and other payables	17	7,459	7,641
Interest bearing loans and borrowings	19	1,500	2,000
Provisions	20	5,876	4,946
Trust funds and deposits	21	2,604	2,428
Income in advance		271	90
Total current liabilities		17,710	17,105
Non-current liabilities			
Interest bearing loans and borrowings	19	15,500	15,500
Provisions	20	622	769
Total non-current liabilities		16,122	16,269
Total liabilities		33,832	33,374
Net assets		1,885,359	1,757,684
Equity			
Accumulated surplus		334,821	328,110
Reserves	10	1,550,538	1,429,574
Total equity		1,885,359	1,757,684

The above statement should be read with the accompanying notes.



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

	Note	Total		Accumulated surplus		Asset revaluation reserve		Other reserves	
		2010/11 \$'000	2009/10 \$'000	2010/11 \$'000	2009/10 \$'000	2010/11 \$'000	2009/10 \$'000	2010/11 \$'000	2009/10 \$'000
Balance at beginning of the year		1,757,684	1,653,006	328,110	321,979	1,426,472	1,329,081	3,102	1,946
Profit for the year		7,168	7,287	7,168	7,287	-	-	-	-
Other comprehensive income									
Net asset revaluation increment	10(a)	120,507	98,219	-	-	120,507	98,219	-	-
Change arising from a change in estimated restoration cost		-	(828)	-	-	-	(828)	-	-
Transfers to other reserves	10(b)	-	-	(1,802)	(1,856)	-	-	1,802	1,856
Transfers from other reserves	10(b)	-	-	1,345	700	-	-	(1,345)	(700)
Balance at end of the year		1,885,359	1,757,684	334,821	328,110	1,546,979	1,426,472	3,559	3,102

The above statement should be read with the accompanying notes.

**Cash Flow Statement
for the year ended 30 June 2011**

	Note	2010/11 \$'000 Inflows (Outflows)	2009/10 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Receipts			
Receipts from ratepayers		61,900	57,758
Interest received		1,629	1,127
User charges, fees and fines (inclusive of GST)		18,300	16,157
Grants and contributions received (inclusive of GST)		10,532	11,253
Net GST refund		3,733	4,376
Payments			
Payments to employees		(30,981)	(27,434)
Payments to suppliers (inclusive of GST)		(45,954)	(44,710)
Net cash provided by operating activities	27(i)	19,159	18,527
Cash flows from investing activities			
Payments for property, plant and equipment, infrastructure		(13,109)	(19,075)
Payments for disposal of fixed assets		-	(17)
Proceeds from sale of property, plant and equipment, infrastructure		7	-
Acquisition of other financial assets		(69)	(200)
Net cash used in investing activities		(13,171)	(19,292)
Cash flows from financing activities			
Finance costs		(1,167)	(1,084)
Proceeds from interest bearing loans and borrowings		1,500	2,000
Repayment of interest bearing loans and borrowings		(2,000)	(2,000)
Proceeds from trust funds and deposits		176	87
Net cash used in financing activities		(1,491)	(997)
Net increase (decrease) in cash and cash equivalents		4,497	(1,762)
Cash and cash equivalents at the beginning of the year		17,920	19,682
Cash and cash equivalents at the end of the year	27(ii)	22,417	17,920
Restrictions on cash assets	24		

The above statement should be read with the accompanying notes.



Notes to and forming part of the Accounts for the year ended 30 June 2011

Introduction

- (a) The Bayside City Council was established by an order of the Governor in Council on 15 December 1994 and is a body corporate.

The purpose of the Council is to:

- (i) provide for the peace, order and good government of its municipal district;
- (ii) facilitate and encourage appropriate development of its municipal district in the best interests of the community;
- (iii) provide equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively; and
- (iv) manage, improve and develop the resources of its district efficiently and effectively.

External Auditor – Auditor-General of Victoria

Internal Auditor – Deloitte

Bankers – National Australia Bank Limited

Website address – www.bayside.vic.gov.au

- (b) This financial report is a general purpose financial report that consists of a comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Finance and Reporting) Regulations 2004*.

1. Significant Accounting Policies

(a) Basis of accounting

This financial report has been prepared on the accrual and going concern bases under the convention of historical cost accounting, with the exception referred to in note 1(b).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

(b) Recognition and measurement of assets

Acquisition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred in preparing the assets ready for use.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

1. Significant Accounting Policies (continued)

Non-monetary assets received in the form of grants or donations are recognised as assets and revenues at their fair value at the date of receipt.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

The following threshold limits have been applied when recognising assets within an applicable asset class and are consistent with the prior year unless otherwise stated.

	\$
Land	Nil
Land improvements	10,000
Buildings/improvements	10,000
Roads	
- Pavement and surfacing	25,000
- Kerb, channel and footpaths	20,000
Plant and equipment	2,000
Furniture and fittings	2,000
Heritage and cultural	Nil
Library books	Nil
Drains	10,000

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture and fittings and library books, are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, the Council will conduct revaluations of land, buildings and infrastructure assets with sufficient regularity to ensure that their carrying value does not materially differ from their fair value at reporting date. Annual assessments will be made by Council, supplemented by independent valuations, generally every three years.

Land under roads acquired after 30 June 2008 is brought to account using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

(c) Non-current assets held for sale

A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell and is not subject to depreciation. Non-current assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

(d) Depreciation of property, plant and equipment, infrastructure

All property, plant and equipment, infrastructure, with the exception of land, road earthworks, heritage and cultural assets and works in progress, are systematically depreciated over their useful lives to Council in a manner, which reflects the consumption of the service potential embodied in those assets. Land, road earthworks and heritage and cultural assets are considered not to depreciate. Works in progress are depreciated from the date the asset is first put into use or held ready for use.

Depreciation is recognised on a straight-line basis and rates are reviewed each reporting period.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

1. Significant Accounting Policies (continued)

Major depreciation periods used are listed below:

	Period (Years) 2011	Period (Years) 2010
Land improvements		
- General	5-50	5-50
- Shopping centre enhancements	50-100	50-100
Buildings/improvements		
- General	20-160	20-160
- Historical properties	130-270	130-270
Roads		
- Pavements	160-250	160-250
- Surfacing	10-50	10-50
- Footpaths	15-120	15-120
- Kerb and channel	30-140	30-140
- Lanes	70-120	70-120
- Bridges	100	100
- Traffic management	20-80	20-80
- Signs	20	20
Plant and equipment	7-10	7-10
Furniture and fittings	3-9	3-9
- General	9	9
- IT hardware and software	3-5	3-5
Library books	6	6
Drains	75-95	75-95

(e) Employee benefits

Wages and salaries

Liabilities for wages and salaries are recognised and are measured as the amount unpaid at balance date including appropriate oncosts.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled. Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service. Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Retirement Gratuities

The staff gratuity scheme entitlement of \$22,887 (2009/10 - \$35,885) is recognised at 31 January 1996 values (frozen in accordance with the Bayside Enterprise Bargaining Agreement) and is adjusted by C.P.I. index less any leave taken.



Notes to and forming part of the Accounts for the year ended 30 June 2011

1. Significant Accounting Policies (continued)

Sick Leave

No provision is made in respect of employee entitlement for sick leave because it is non-vesting and the anticipated pattern of future sick leave to be taken indicates that accumulated non-vesting sick leave will never be paid.

Superannuation

The superannuation expense for the reporting period is the amount of the statutory contribution the municipality makes to the superannuation plans, which provide benefits to its employees. Details of those arrangements are set out in note 18.

(f) Inventories

Inventories held have been valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date according to weighted average cost basis.

(g) Leases

In respect of operating leases, where the lessor effectively retains substantially all of the risks and benefits incidental to the ownership of the leased items, lease payments are charged as expenses over the lease term.

Council does not have any finance leases.

(h) Rates, grants, donations, user charges and other contributions

Rates, grants, donations and other contributions are recognised as revenues when the Council obtains control over the assets comprising the receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represents 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 prior notification that a grant has been secured.

User charges are recognised as revenues when cash is paid or invoices raised, whichever first occurs for services provided by Council.

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 4. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

(i) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash deposits and highly liquid investments with short periods to maturity (3 months or less).

(j) Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred.



Notes to and forming part of the Accounts for the year ended 30 June 2011

1. Significant Accounting Policies (continued)

(k) Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

(l) Trust funds and deposits

Amounts received as tender deposits and retention amounts controlled by Council are included in the amount disclosed as "trust funds and deposits" within current liabilities until they are refunded or forfeited.

(m) Investments

Investments are measured at cost. Interest revenues are recognised as they accrue.

(n) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred and include interest on borrowings.

(o) Payables

Payables, other than accrued expenses for salaries and wages are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Council's normal payment terms are net 30 days.

(p) Receivables and provision for doubtful debts

Receivables are carried at nominal amounts less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

(q) Website costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

1. Significant Accounting Policies (continued)

(s) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

1. Significant Accounting Policies (continued)

(t) New accounting standards and interpretations

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Standard Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 9: Financial Instruments and AASB 2010–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> * simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; * removing the tainting rules associated with held-to-maturity assets; * simplifying the requirements for embedded derivatives; * removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; 	Applicable for annual reporting periods commencing on or after 1 January 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

Standard Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 124: Related Party Disclosures	<p>* allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and</p> <p>* reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:</p> <p>a. the objective of the entity's business model for managing the financial assets; and</p> <p>b. the characteristics of the contractual cash flows.</p>	Applicable for annual reporting periods commencing on or after 1 January 2011.	Although this standard does not strictly apply to Local Government it is often used as guidance, as such there will be greater clarity on the disclosure of inter government transactions.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

Standard Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2010-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] and AASB 2010-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project.	Applicable for annual reporting periods commencing from 1 January 2011.	These amendments are not expected to impact Council
AASB 2010-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]	These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

Standard Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2010–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1]	These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council
AASB 2010–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council
AASB 2010–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19.	Applicable for annual reporting periods commencing on or after 1 July 2011.	These amendments are not expected to impact Council



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2010–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council
AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred.	Applicable for annual reporting periods commencing on or after 1 July 2011.	This Interpretation is not expected to impact Council.



Notes to and forming part of the Accounts for the year ended 30 June 2011

2. Functions/Activities of the Bayside City Council

(a) Component functions/activities

The activities of the municipality are categorised into the following broad functions:

Executive – comprises Executive Management, Human Resources, Organisational Improvement, Communications, Corporate Information and Customer Service.

Corporate Services - comprises Audit Management, Finance, Information Services, Council and Governance Support and Commercial Services.

Infrastructure - comprises General Property Maintenance, Asset Management, Infrastructure Maintenance, Environmental Health, Local Laws and Investigations

City Strategy – comprises Urban Strategy, Statutory Planning and Building, Economic Development, Environmental Sustainability, Waste Management, Foreshore and Conservation, Open Space and Tree Management.

Community Services – comprises Aged and Disability, Health and Aged Services, Family Services, Family Health, Children's Services, Youth Services, Libraries and Culture, Leisure and Recreation and Social Development.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

2. Functions/Activities of the Bayside City Council (continued)

(b) Revenue/expenditure sources

Revenue/expenditure sources have been attributed to the following functions/activities; descriptions of which are set out in note 2(a)

Functions/Activities	2010/11 TOTAL EXPENSES		2009/10 TOTAL EXPENSES		GRANTS AND CONT.	2010/11 REVENUE OTHER		TOTAL REVENUE	GRANTS AND CONT.	2009/10 REVENUE OTHER		TOTAL REVENUE	2010/11 NET PROFIT (LOSS)		2009/10 NET PROFIT (LOSS)	
	\$'000	%	\$'000	%		\$'000	\$'000			\$'000	%		\$'000	\$'000	\$'000	%
Rates	-	-	-	-	-	62,007	62,007	67.60	-	57,861	57,861	67.35	62,007	57,861		
Executive	3,477	4.11	3,259	4.15	2	-	2	-	-	-	-	-	(3,475)	(3,259)		
Corporate Services	14,823	17.53	12,551	15.96	1,920	6,240	8,160	8.89	1,792	5,761	7,553	8.79	(6,663)	(4,998)		
Infrastructure	26,706	31.57	25,749	32.74	1,249	5,260	6,509	7.09	2,700	4,317	7,017	8.17	(20,197)	(18,732)		
City Strategy	19,887	23.51	18,513	23.55	527	4,402	4,929	5.37	295	3,706	4,001	4.66	(14,958)	(14,512)		
Community Services	19,688	23.28	18,552	23.60	6,626	3,516	10,142	11.05	6,152	3,327	9,479	11.03	(9,546)	(9,073)		
Total	84,581	100	78,624	100	10,324	81,425	91,749	100	10,939	74,972	85,911	100	7,168	7,287		

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

2. Functions/Activities of the Bayside City Council (continued)

(c) Assets

Assets have been attributed to the following functions/activities and are reconciled with the amounts shown for assets in the balance sheet.

	2011 \$'000	2010 \$'000
Functions/activities		
Executive	-	-
Corporate services	81,998	64,495
Infrastructure	1,737,140	1,637,269
City Strategy	-	-
Community services	69,870	66,482
Other non-attributable	30,183	22,812
Total assets	1,919,191	1,791,058
 Represented by:		
Current assets	29,798	22,462
Non-current assets	1,889,393	1,768,596
	1,919,191	1,791,058

3. Rates and Charges

Council uses Capital Improved Value (C.I.V.) as the basis of valuation of all properties within the municipal district. The C.I.V. of a property is the market value of land and improvements.

The valuation base used to calculate general rates for 2010/11 was \$40,250 million (2009/10 - \$37,458 million). The 2010/11 rate in the C.I.V. dollar was .00126481 cents (2009/10 - .00127177 cents).

General rates	50,908	47,638
Waste management service charge	5,730	5,171
Municipal charge	4,689	4,464
Cultural and recreational lands rates	245	236
Supplementary rates	435	352
Total rate revenue	62,007	57,861

The date of the last general revaluation of land for rating purposes within the municipal district was 1 January 2010 and the valuation first applied to the rating period commencing 1 July 2010.

The date of the next general revaluation of land for rating purposes within the municipal district is 1 January 2012 and the valuation will be first applied in the rating year commencing 1 July 2012.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

4. Grants and Contributions

	2011	2010
	\$'000	\$'000
Recurrent		
Grants Commission Allocation	1,920	1,792
Aged and Disability Services	4,337	4,093
Infrastructure Maintenance	909	869
Family and Children's Services	1,076	1,079
Libraries	557	551
Amenity Protection	160	141
Social Planning and Social Support	442	423
Waste Management	21	97
Total recurrent grants and contributions	9,422	9,045
Non-recurrent		
Aged and Disability Services	228	-
Building Surveying	-	2
Infrastructure Maintenance	100	733
Family and Children's Services	-	5
Parks and Recreation	551	883
Council Buildings	21	271
Urban Strategy	2	-
Total non-recurrent grants and contributions	902	1,894
Total grants and contributions	10,324	10,939

Conditions on grants

Grants which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a specified manner but had yet to be applied as at the reporting date were:

Aged and disability services	230	49
Council buildings	-	58
Family and children's services	20	18
Infrastructure maintenance	216	650
Parks and recreation	-	85
	466	860

Grants which were recognised as revenues in a previous reporting period and were expended during the current reporting period in the manner specified by the grantor were:

Aged and disability services	165	201
Council buildings	58	-
Family and children's services	31	-
Infrastructure maintenance	157	-
Parks and recreation	85	-
	496	201

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

5. User Charges Fees and Fines

	2011	2010
	\$'000	\$'000
User fees and charges		
Local laws, parking and investigations	1,346	1,209
Domestic animals	857	647
Planning and building	3,000	2,965
Aged and disability services	1,320	1,323
Family, youth and children's services	1,684	1,479
Other user fees and charges	3,877	3,416
Total user fees and charges	12,084	11,039
Rentals		
Golf courses	961	931
Other recreation facilities	1,058	1,029
Mobile phone facilities	397	377
Other rentals	949	917
Total rentals	3,365	3,254
Fines		
Local laws and investigations	2,257	1,589
Other fines	44	99
Total fines	2,301	1,688
Total user charges fees and fines	17,750	15,981

6. Employee Benefits

Salaries and wages	25,220	22,945
Superannuation	2,426	2,190
Superannuation – additional call*	992	-
Workcover	434	290
Leave entitlements	2,670	2,296
Total employee benefits	31,742	27,721

*During the reporting period Council was required to make an additional contribution to Vision Super to meet our obligations in relation to members of the defined benefit plan. Refer Note 18 for further details.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

7. Materials, Contracts and Services

	2011	2010
	\$'000	\$'000
Aged and Disability Services	1,855	2,014
Environmental Sustainability and Open Space	7,806	7,426
Waste Management	5,944	5,550
Building Maintenance	6,786	6,394
Asset Management	587	467
Family and Children's Services	768	763
Social Planning and Support	572	634
Amenity Protection	1,057	950
Planning , Building and Urban Strategy	1,298	1,005
Customer and Information Management Systems	1,367	1,179
Corporate Services	3,135	3,355
Library Services	724	620
Cultural Planning and Events	681	586
Insurance	763	704
Fire Brigade	2,049	1,986
External Audit	53	52
Internal Audit	97	66
Bad and Doubtful Debts	80	159
Utilities	649	967
Street Lighting	720	653
Legal	674	688
Software Licenses and Support	937	686
Other	1,030	1,024
Total materials, contracts and other	39,632	37,928

8. Depreciation

Depreciation was charged in respect of:

Land improvements	2,195	2,229
Buildings/improvements	3,173	3,144
Roads	3,291	3,102
Drains	1,320	1,314
Plant and equipment	91	72
Furniture and fittings	616	495
Library books	410	405
Total depreciation	11,096	10,761

9. Disposal of Property, Plant and Equipment, Infrastructure

Proceeds from sale of property, plant and equipment, infrastructure	7	-
Payments for disposal of property, plant and equipment, infrastructure	-	(17)
Less carrying amount of assets disposed	(948)	(1,111)
Total loss on disposal of property, plant and equipment, infrastructure	(941)	(1,128)

Notes to and forming part of the Accounts
for the year ended 30 June 2011

10. Reserves

(a) Asset revaluation reserves

	Balance at beginning of the year \$'000	Increment/ (decrement) \$'000	Balance at end of the year \$'000
2011			
Land	1,225,040	136,106	1,361,146
Buildings/improvements	79,505	1,660	81,165
Roads	100,066	(11,848)	88,218
Drains	19,823	(5,411)	14,412
Heritage and cultural	2,038	-	2,038
Total asset revaluation reserves	1,426,472	120,507	1,546,979
2010			
Land	1,125,408	99,632	1,225,040
Buildings/improvements	81,746	(2,241)	79,505
Roads	100,066	-	100,066
Drains	19,823	-	19,823
Heritage and cultural	2,038	-	2,038
Total asset revaluation reserves	1,329,081	97,391	1,426,472

The asset revaluation reserve records movements in asset revaluations upon the periodic revaluation of non-current assets

(b) Other reserves

	Balance at beginning of the year \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of the year \$'000
2011				
Car parking reserve	366	-	-	366
Recreational land reserve	2,736	1,802	(1,345)	3,193
Total other reserves	3,102	1,802	(1,345)	3,559
2010				
Car parking reserve	366	-	-	366
Recreational land reserve	1,580	1,856	(700)	2,736
Total other reserves	1,946	1,856	(700)	3,102

The car parking reserve is a statutory reserve designed to hold funds for allocation to car park projects works.

The recreational land reserve is a statutory reserve that receives contributions received as public open space levies and is used to fund future recreational land facilities.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

11. Cash and Cash Equivalents

	2011	2010
	\$'000	\$'000
Cash on hand and bank deposits	2,306	1,610
Term deposits and bank bills at cost	20,111	16,310
Total cash and cash equivalents	22,417	17,920

Cash is on hand or available on demand (except for the amounts referred to in Note 24 Restricted Assets)

12. Trade and other Receivables

(a) Rates debtors

Current

Rates and charges	1,138	997
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Non-current

Rates and charges	116	150
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Total rates debtors	1,254	1,147
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Rates are secured by a charge over the ratepayer's property.

Interest is charged on overdue rates at 10.5% (2009/10 – 10%). General rates are due for payment on 30 September, 30 November, 28 February and 31 May if paid by instalments or 15 February if paid in full. Overdue rates are those not paid by the due dates. The amount of overdue debts upon which interest is being charged is \$1,207,000 (2009/10 - \$1,104,000).

(b) Other debtors

Current

Aged & disability	150	159
Loans to other organisations	-	1
Parking infringements	1,774	1,610
Other infringements	322	261
Roads and crossings	100	111
Government grants	561	604
Sporting rentals	229	41
Other rentals	111	55
Net GST receivables	1,021	780
Sundry	696	703

Less provision for doubtful debts	(1,514)	(1,435)
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Total other debtors	3,450	2,890
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Total trade and other receivables	4,704	4,037
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13. Non-current assets held for sale

Land held for sale	1,970	-
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Council has entered into negotiations for the sale of land at the rear of 52-54 Middle Crescent Brighton conditional on the vendor obtaining a planning permit on the subject site within 18 months of the signing of the contract of sale. The sale price is not expected to be materially different to the carrying amount above.

14. Other Assets

Prepayments	624	519
Interest accrued	119	80
Total other assets	743	599

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

15. Property, Plant and Equipment, Infrastructure

Summary

	2011	2010
	\$'000	\$'000
At cost	45,452	54,496
Less: accumulated depreciation	(14,517)	(18,346)
	30,935	36,150
At valuation	2,146,865	1,995,757
Less: accumulated depreciation	(288,792)	(263,661)
	1,858,073	1,732,096
Total	1,889,008	1,768,246

Land

At valuation	1,554,850	1,420,390
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Valuations of land were determined as follows on the basis of market value.

Valuation performed by Matheson Stephen Valuations as at 30 June 2011

Land improvements

At cost	36,115	34,856
Less: accumulated depreciation	(11,267)	(11,232)
	24,848	23,624

Buildings/improvements

At valuation	242,171	235,505
Less: accumulated depreciation	(107,880)	(102,901)
	134,291	132,604

Valuations of buildings/improvements were determined as follows on the basis of market value.

Valuation performed by Matheson Stephen Valuations as at 30 June 2011

Roads

At valuation	242,009	223,498
At cost	-	4,824
	242,009	228,322
Less: accumulated depreciation		
At valuation	(114,203)	(89,190)
At cost	-	(4)
	127,806	139,128

Valuations of roads were determined as follows on the basis of written down replacement cost and performed by;

G Wilson-Browne, MIEAust, CPEng, Director Infrastructure Services, as at 30 June 2009.

C Turner, BEng (Civil), MBA, IPWEA, Acting Director Infrastructure Services as at 30 June 2011.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

15. Property, Plant and Equipment, Infrastructure (continued)

	2011	2010
	\$'000	\$'000
Drains		
At valuation	103,800	112,329
At cost	-	432
	<u>103,800</u>	<u>112,761</u>
Less: accumulated depreciation		
At valuation	(66,709)	(71,570)
At cost	-	(4)
	<u>37,091</u>	<u>41,187</u>
<p>Valuation of drains was determined as follows on the basis of written down replacement cost and performed by; G Wilson-Browne, MIEAust, CPEng, Director Infrastructure Services, as at 30 June 2008. C Turner, BEng (Civil), MBA, IPWEA, Acting Director Infrastructure Services as at 30 June 2011.</p>		
Plant and equipment		
At cost	936	1,042
Less: accumulated depreciation	(281)	(484)
	<u>655</u>	<u>558</u>
Furniture and fittings		
At cost	3,229	5,306
Less: accumulated depreciation	(1,574)	(3,732)
	<u>1,655</u>	<u>1,574</u>
Library books		
At cost	2,812	4,276
Less: accumulated depreciation	(1,395)	(2,890)
	<u>1,417</u>	<u>1,386</u>
Heritage and cultural		
At valuation	<u>4,035</u>	<u>4,035</u>
<p>Valuation of heritage and cultural assets was determined as follows on the basis of market value. Valuation performed by McWilliam & Associates Pty Ltd as at 30 June 2007</p>		
Works in progress		
At cost	<u>2,360</u>	<u>3,760</u>
Total property, plant and equipment, infrastructure	<u>1,889,008</u>	<u>1,768,246</u>



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

15. Property, Plant and Equipment, Infrastructure (continued)

Movement to property, plant and equipment, infrastructure

2011	Land \$'000	Land improv. \$'000	Buildings/ improv. \$'000	Roads \$'000	Drains \$'000	Plant and equip. \$'000	Furniture and fittings \$'000	Library books \$'000	Heritage and cultural \$'000	Works in progress \$'000	Total \$'000
Carrying amount at beginning of the year	1,420,390	23,624	132,604	139,128	41,187	558	1,574	1,386	4,035	3,760	1,768,246
Revaluation increments (decrements)	136,106	-	1,660	(11,848)	(5,411)	-	-	-	-	-	120,507
Acquisition of assets	324	2,310	2,593	4,757	1,469	188	696	441	-	1,491	14,269
Written down value of disposals	-	-	-	(948)	-	-	-	-	-	-	(948)
Depreciation	-	(2,195)	(3,173)	(3,291)	(1,320)	(91)	(616)	(410)	-	-	(11,096)
Transfer to current assets – land held for sale	(1,970)	-	-	-	-	-	-	-	-	-	(1,970)
Transfers	-	1,109	607	8	1,166	-	1	-	-	(2,891)	-
Total carrying amount at end of the year	1,554,850	24,848	134,291	127,806	37,091	655	1,655	1,417	4,035	2,360	1,889,008
Fully depreciated assets no longer in use and written out of asset register (net effect nil)	-	2,160	-	-	-	294	2,774	1,905	-	-	7,133



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

15. Property, Plant and Equipment, Infrastructure (continued)

Movement to property, plant and equipment, infrastructure

	Land	Land	Buildings/ improv.	Roads	Drains	Plant and equip.	Furniture and fittings	Library books	Heritage and cultural	Works in progress	Total
2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	1,318,930	24,112	123,996	137,917	42,416	456	1,388	1,365	4,035	7,296	1,661,911
Revaluation increments (decrements)	99,632	-	(2,241)	-	-	-	-	-	-	-	97,391
Acquisition of assets	1,554	1,371	9,680	4,648	85	174	564	426	-	2,314	20,816
Written down value of disposals	-	-	(600)	(511)	-	-	-	-	-	-	(1,111)
Depreciation	-	(2,229)	(3,144)	(3,102)	(1,314)	(72)	(495)	(405)	-	-	(10,761)
Transfers	274	370	4,913	176	-	-	117	-	-	(5,850)	-
Total carrying amount at end of the year	1,420,390	23,624	132,604	139,128	41,187	558	1,574	1,386	4,035	3,760	1,768,246



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

16. Financial Assets		2011	2010
		\$'000	\$'000
	Non-current – available for sale		
	Unlisted shares at cost – Regional Kitchen Pty Ltd	200	-
	Total financial assets	200	-
17. Trade and other Payables			
	Trade creditors	6,919	7,095
	Salaries and wages	438	460
	Loan interest	44	41
	Other	58	45
	Total trade and other payables	7,459	7,641

18. Superannuation

Post-employment Benefit

Bayside City Council makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership being either the accumulation fund (known as Vision Super Saver) or the defined benefits fund, each of which is funded differently, or to designated superannuation funds as nominated by employees. During 2010/11, Council's superannuation contribution to all funds was \$3,418,426 (2009/10 - \$2,190,222).

Vision Super Saver Members

The Fund's Vision Super Saver category receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required in accordance with the Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefits Members

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, Council does not use defined benefit accounting for these contributions.

Bayside City Council makes employer contributions to the defined benefits category of the Fund at rates determined by the Trustee on the advice of the Fund's actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2008, Council makes the following contributions:

- 9.25% of members' salary (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AAS 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

18. Superannuation (continued)

The Trustees of the Defined Benefit plan make ongoing assessments of the Fund's ability to meet its obligations to plan members based on prevailing market conditions and assumptions about future conditions and obligations.

The Trustees of the Defined Benefit plan determined that a special contribution was required to make up a shortfall in the assets of the fund as calculated by the fund actuaries. As a participating employer under the plan, Bayside City Council was called upon to make a special contribution of \$0.992m as its share of a total shortfall of \$71m for the Fund. This contribution was paid to the Fund prior to 30 June 2011.

A further actuarial review is planned to be undertaken as at 31 December 2011 with the results available by mid 2012. Based on the results of this review, a detailed funding plan will be developed and implemented to achieve a target of the Trustees of full funding by 31 December 2013. Council will be notified of any additional contributions by late 2012.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS 25 as follows:

	31-December - 08
	\$'000
Net market value of assets	3,630,432
Accrued benefits	<u>3,616,422</u>
Difference between assets and accrued benefits	<u>14,010</u>
Vested benefits (minimum sum which must be paid to members when they leave the fund)	<u>3,561,588</u>

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the fund were:

Net investment return	8.50% p.a
Salary inflation	4.25% p.a
Price inflation	2.75% p.a

19. Interest Bearing Loans and Borrowings

	2011	2010
	\$'000	\$'000
Current		
Borrowings - secured	1,500	2,000
Non-current		
Borrowings - secured	15,500	15,500
Total interest bearing loans and borrowings	<u>17,000</u>	<u>17,500</u>

The maturity profile for Council's borrowings is:

Not later than one year	1,500	2,000
Later than one year and not later than five years	8,500	6,000
Later than five years	7,000	9,500
	<u>17,000</u>	<u>17,500</u>

Notes to and forming part of the Accounts
for the year ended 30 June 2011

20. Provisions

	Annual leave	Long service leave	Staff gratuity scheme	Total
2011	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	1,888	3,791	36	5,715
Additional provisions	2,482	999	-	3,481
Amounts used	(2,245)	(425)	(13)	(2,683)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(1)	(14)	-	(15)
Balance at end of the year	2,124	4,351	23	6,498
	Annual leave	Long service leave	Staff gratuity scheme	Total
2010	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	1,847	3,834	35	5,716
Additional provisions	2,007	279	1	2,287
Amounts used	(1,962)	(334)	-	(2,296)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(4)	12	-	8
Balance at end of the year	1,888	3,791	36	5,715

Employee entitlements

	2011 \$'000	2010 \$'000
Current		
All annual leave, long service leave entitlements representing 7+ years (2010 - 8+ years) of continuous service and staff gratuity scheme (refer Note 1(e))		
- short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value.	5,514	4,571
- Other long-term employee benefits that do not fall due within 12 months after the end of the year measured at present value.	362	375
Total current	5,876	4,946
Non-current		
Long service leave representing less than 7 years (2010 – 8 years) continuous service measured at present value.	622	769
Aggregate carrying amount of employee entitlements:		
Current	5,876	4,946
Non-current	622	769
	6,498	5,715

All annual leave, unconditional vested long service leave representing 7+ years (2010 - 8+ years) of continuous service and staff gratuity scheme is:

- (a) disclosed in accordance with AASB 101 "Presentation of Financial Statements" as a current liability even where the Council does not expect to settle the liability within 12 months as it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months; and



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

20. Provisions (continued)

(b) measured at:

- nominal value under AASB 119 "Employee Benefits" where a component of this current liability is expected to fall due within 12 months after the end of the period; and
- present value under AASB 119 where the Council does not expect to settle a component of this current liability within 12 months.

Long service leave representing less than 7 years (2010 – 8 years) of continuous service is:

- (a) disclosed in accordance with AASB 101 as a non-current liability; and
- (b) measured at present value under AASB 119 as Council does not expect to settle this non-current liability within 12 months.

The following assumptions were adopted in measuring the present value of entitlements:

	2011	2010
Weighted average increase in employee costs	4.60%	4.475%
Weighted average discount rates	5.278%	5.160%
Weighted average settlement period	12	12

21. Trust Funds and Deposits

Funds paid on deposit to be refunded when requirements have been finalised:

Contract deposits	1	10
Leases & licences	30	31
Retention deposits	167	205
Asset protection deposits	2,218	2,012
Other deposits	188	170
Total trust funds and deposits	2,604	2,428

22. Commitments

(a) Contracted commitments

Expenditure contracted for the duration of the contract at the reporting date but not recognised in the financial report as liabilities:

(i) Operating

Meals on wheels	-	404
Waste	18,047	18,000
Foreshore	1,464	2,458
Cleaning	385	632
Parks and gardens	18,783	24,684
Building maintenance	2,896	4,281
City works	25,606	29,693
Other	1,734	2,066
Total operating contracted commitments	68,915	82,218

These operating contracted commitments are payable:

Not later than one year	20,752	19,794
Later than one year and not later than five years	44,117	52,260
Later than five years	4,046	10,164
	68,915	82,218

Notes to and forming part of the Accounts
for the year ended 30 June 2011

22. Commitments (continued)

(ii) Capital	2011 \$'000	2010 \$'000
Furniture and fittings	-	163
Land improvements	238	190
Buildings	401	-
Drains	586	-
Roads	252	-
Total capital contracted commitments	1,477	353

These capital contracted commitments are payable:

Not later than one year	1,477	353
Later than one year and not later than five years	-	-
Later than five years	-	-
	1,477	353

(b) Finance lease commitments

Council does not have any finance lease commitments (2009/10 - nil)

(c) Operating lease commitments

Commitments under non-cancellable operating leases at reporting date are as follows:

Not later than one year	787	940
Later than one year and not later than five years	400	806
Later than five years	-	-
Total operating lease commitments	1,187	1,746

These operating lease commitments are not recognised in the financial report as liabilities.

(d) Rental lease receivables

Receivables under non-cancellable rental leases at reporting date are as follows:

Not later than one year	2,863	2,324
Later than one year and not later than five years	9,079	7,059
Later than five years	9,792	7,867
Total rental lease receivables	21,734	17,250

These rental lease receivables are not recognised in the financial report as assets.

23. Related Party Transactions

(i) Names of persons holding the position of a responsible person at the Bayside City Council during the reporting period were:

Councillors	Louise Cooper-Shaw Alex del Porto Felicity Frederico Clifford Hayes James Long Michael Norris Simon Russell
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Chief Executive Officer	Adrian Robb
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**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

23. Related Party Transactions (continued)

(ii) Remuneration of responsible persons in bands of \$10,000

Income Range	2011 No.	2010 No.
\$20,000 to \$29,999	5	5
\$30,000 to \$39,999	1	1
\$50,000 to \$59,999	1	1
\$250,000 to \$259,999	-	1
\$280,000 to \$289,999	1	-
TOTAL	8	8
	\$'000	\$'000
Total Remuneration for the reporting period for responsible persons included above, amounted to:	472	444

(iii) Senior officers remuneration

A senior officer other than a responsible person, is an officer of Council whose total annual remuneration exceeds \$124,000, or if remuneration is less than \$124,000 has management responsibilities and reports directly to the Chief Executive

The numbers of senior officers, other than the responsible persons, are shown below in their relevant income bands:

Income Range	No.	No.
<124,000	5	2
\$124,000 to \$129,999	2	3
\$130,000 to \$139,999	3	2
\$140,000 to \$149,999	3	-
\$160,000 to \$169,999	1	-
\$170,000 to \$179,999	-	3
\$180,000 to \$189,999	3	-
\$190,000 to \$199,999	-	1
TOTAL	*17	11
	\$'000	\$'000
Total remuneration for the reporting period of senior officers included above, amounted to:	*2,258	1,599

* During 2011 there were 3 positions occupied by more than one senior officer.

(iv) There were no retirement benefits paid by the Council in connection with the retirement of responsible persons of the Council.

(v) No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting period.

(vi) Other related party transactions requiring disclosure have been considered and there are no matters to report.

(vii) (a) There were no revenues or expenses for the reporting period that resulted from transactions with responsible persons of the Council or their responsible person related parties.

(b) There were no other receivables from and payables to responsible persons of the Council or their responsible person related parties recognised as at reporting date.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

23. Related Party Transactions (continued)

- (c) The Council does not recognise any provisions for doubtful receivables as at the reporting date in respect of loans subject to (v) or other receivables subject to paragraph (vii)(b).
- (d) The Council does not recognise any other benefits derived during the reporting period by responsible persons of the Council or their responsible person related parties.

24. Restricted Assets

	2011	2010
	\$'000	\$'000
Cash and cash equivalents in respect of long service leave *	3,366	3,012
Recreational land reserve	3,193	2,736
Car parking reserve	366	366
Trust funds and deposits	2,604	2,428
	9,529	8,542
Crown land and buildings on crown land	523,720	483,327
Total restricted assets	533,249	491,869

* Restricted asset for long service leave is based on the *Local Government (Long Service Leave) Regulations 2002* and does not necessarily equate to the long service leave liability disclosed in note 20 due to differences in the basis of calculation prescribed by the regulations.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments

(a) Terms, conditions and accounting policies

Financial instruments	Note	Accounting policy	Terms & conditions
(i) Financial assets			
Trade and other receivables – other debtors	12(b)	Other debtors receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit terms for short-term receivables are 30 days.
Cash and cash equivalents	11	Cash on hand and at bank and at call are valued at face value. Investments are brought to account at cost. Interest is recognised as it accrues.	On call deposits returned a floating interest rate of 4.41% (2009/10 – 3.31%). Short-term investments generally have maturities from 14 to 178 days and an average interest rate of 5.74% (2009/10 – 5.03%).
Other financial assets	16	Other financial assets are measured at cost.	Unlisted shares classified as available for sale.
(ii) Financial liabilities			
Interest bearing loans and borrowings	19	Loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The majority of loans are interest only with principal due at maturity, secured over the general rates. Interest is charged at various fixed rates. The weighted average interest rate on borrowings is 6.78%. (6.81% in 2009/10).
Trade and other payables	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Council.	Trade liabilities are normally settled on net 30-day terms.
Trust funds and deposits	21	Trust funds and deposits are recognised when the deposit is received.	Trust funds and deposits are held until they are refunded or forfeited.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments (continued)

(b) Net fair values

The net fair values of financial assets and financial liabilities at the reporting date are as follows:

	2011		2010	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
(i) Financial assets				
Cash and cash equivalents	22,417	22,417	17,920	17,920
Trade and other receivables	2,798	2,798	2,384	2,384
Other financial assets	200	200	-	-
Other assets	188	188	280	280
Total financial assets	25,603	25,603	20,584	20,584
(ii) Financial liabilities				
Trade and other payables	7,459	7,459	7,641	7,641
Trust funds and deposits	2,604	2,604	2,428	2,428
Interest bearing loans and borrowings	17,000	17,267	17,500	17,798
Total financial liabilities	27,063	27,330	27,569	27,867

(iii) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and cash equivalents

The net fair values approximate the carrying amount because of the short period to maturity.

Short term trade receivables and trade payables

The net fair values approximate the carrying amount because of the short period to maturity.

Long term interest-bearing loans and borrowings

The net fair values with floating interest rates approximate the carrying amount. The net fair values of fixed rate borrowings have been measured by discounting contracted future cash flows by prevailing market interest rates.

Long term trade receivables

The net fair values are estimated using discounted cash flow analysis based on current lending rates for similar types of lending arrangements



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments (continued)

(c) Interest rate risk – 2011

Financial instruments	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Balance sheet	Effective interest rate
	\$'000	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000			
(i) Financial assets							
Cash and cash equivalents	2,292	20,111	-	-	14	22,417	4.00 - 6.10
Trade and other receivables	-	-	-	-	2,798	2,798	N/a
Other financial assets	-	-	-	-	200	200	N/a
Other assets	-	-	-	-	188	188	N/a
Total financial assets	2,292	20,111	-	-	3,200	25,603	
(ii) Financial liabilities							
Interest bearing loans and borrowings	-	1,500	8,500	7,000	-	17,000	5.37 - 8.146
Trade and other payables	-	-	-	-	7,459	7,459	N/a
Trust funds and deposits	-	-	-	-	2,604	2,604	N/a
Total financial liabilities	-	1,500	8,500	7,000	10,063	27,063	
Net financial assets(liabilities)	2,292	18,611	(8,500)	(7,000)	(6,863)	(1,460)	



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments (continued)

(c) Interest rate risk – 2010

Financial instruments	Floating interest rate \$'000	Fixed interest rate maturing In:			Non-interest bearing \$'000	Balance sheet \$'000	Effective interest rate %
		< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000			
(i) Financial assets							
Cash and cash equivalents	1,600	16,310	-	-	10	17,920	2.50 – 5.75
Trade and other receivables	-	-	-	-	2,384	2,384	N/a
Other assets	-	-	-	-	280	280	N/a
Total financial assets	1,600	16,310	-	-	2,674	20,584	
(ii) Financial liabilities							
Interest bearing loans and borrowings	-	2,000	6,000	9,500	-	17,500	5.37 – 8.146
Trade and other payables	-	-	-	-	7,641	7,641	N/a
Trust funds and deposits	-	-	-	-	2,428	2,428	N/a
Total financial liabilities	-	2,000	6,000	9,500	10,069	27,569	
Net financial assets(liabilities)	1,600	14,310	(6,000)	(9,500)	(7,395)	(6,985)	

Notes to and forming part of the Accounts
for the year ended 30 June 2011

25. Financial Instruments (continued)

(d) Aging of trade and other receivables

	2011 \$'000	2010 \$'000
Current (not yet overdue)	2,223	1,629
Past due by up to 30 days	314	397
Past due between 31 and 60 days	120	143
Past due between 61 and 90 days	13	57
Past due more than 90 days	128	158
Total trade and other receivables	2,798	2,384

(e) Movement in provision for doubtful debts

Balance at the beginning of the year	70	81
New provisions recognised during the year	-	-
Amounts already provided for and written off as uncollectible	-	(11)
Balance at end of the year	70	70

(f) Financial risk management

The risks associated with the Council's main financial instruments and the policies for minimising these risks are as follows

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The key market risk to which Council is exposed is interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

(i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Council holds.

Interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes the Council to fair value interest rate risk. Loan borrowings are sourced from major Australian banks by a tender process.

Council does not have any finance leases or overdraft facility.

Interest rate exposure on the net debt portfolio is managed by appropriate budgeting strategies and ensuring approval for borrowings is obtained from the Australian Loan Council each year.

Interest rate risk is also managed by adopting an investment guideline and strategy that ensures

- conformity with State and Federal regulations and standards
- appropriate liquidity
- monitoring of return on investment
- benchmarking of returns and comparison to budget.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments (continued)

(ii) Credit risk

Credit risk refers to the risk that a contracting entity to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from Council's receivables from customers and the Council's exposure at balance date in relation to each financial asset is the carrying amount of those assets as indicated in the balance sheet.

There is no material credit risk to any single receivable or group of receivables. Receivable balances are monitored on a regular basis to ensure that the exposure to bad debts is minimised. An allowance for doubtful debts has been established that represents an estimate of incurred losses in respect of receivables.

(iii) Liquidity risk

Liquidity risk is the risk that Council will be unable to meet its financial obligations as they fall due. Council manages liquidity risk by

- application of a strategic resource plan which targets a minimum and average level of cash and cash equivalents to be maintained
- maintaining adequate reserves and banking facilities
- ensuring a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitoring budget to actual performance on a regular basis
- setting limits on borrowings relating to the percentage of loans to rate revenue

Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

25. Financial Instruments (continued)

(g) Contractual maturities

The following table lists the contractual maturities for Council's financial liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts.

2011	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted cash flows \$'000	Carrying amount \$'000
Trade and other payables	7,459	-	-	-	-	7,459	7,459
Interest bearing loans and borrowings	591	2,057	2,545	9,577	7,544	22,314	22,314
Trust funds and deposits	27	179	2	2,313	83	2,604	2,604
	8,077	2,236	2,547	11,890	7,627	32,377	32,377
2010	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted cash flows \$'000	Carrying amount \$'000
Trade and other payables	7,641	-	-	-	-	7,641	7,641
Interest bearing loans and borrowings	611	2,557	2,543	7,096	10,571	23,378	23,378
Trust funds and deposits	20	217	10	2,104	77	2,428	2,428
	8,272	2,774	2,553	9,200	10,648	33,447	33,447

Notes to and forming part of the Accounts
for the year ended 30 June 2011

25. Financial Instruments (continued)

(h) Sensitivity disclosure analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk as this represents management's assessment of the possible change in interest rates.

	Carrying amount subject to interest	Interest Rate Risk			
		-1% 100 basis points		1% 100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2011					
(i) Financial assets					
Cash and cash equivalents	22,403	(224)	(224)	224	224
(ii) Financial liabilities					
Interest bearing loans and borrowings	17,000	(170)	(170)	170	170

	Carrying amount subject to interest	Interest Rate Risk			
		-1% 100 basis points		1% 100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010					
(i) Financial assets					
Cash and cash equivalents	17,910	(179)	(179)	179	179
(ii) Financial liabilities					
Interest bearing loans and borrowings	17,500	(175)	(175)	175	175

26. Events Occurring After Balance Date

Council has not received any information after the reporting date about conditions that existed at the reporting date which requires disclosure. In addition, there are no material non-adjusting events after the reporting date which requires disclosure.

**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

27(i) Reconciliation of Cash Flows from Operating Activities to Profit(Loss)		
	2011	2010
	\$'000	\$'000
Profit for the year	7,168	7,287
Depreciation	11,096	10,761
Finance costs	1,170	1,086
Loss on disposal of property, plant and equipment, infrastructure	941	1,128
	<hr/> 20,375	<hr/> 20,262
Movements in assets and liabilities		
(Increase) in receivables	(706)	(649)
(Increase) in prepayments	(105)	(168)
(Increase) in inventories	(24)	(8)
(Decrease) in payables	(1,345)	(790)
Increase/(decrease) in income in advance	181	(119)
Increase/(decrease) in provisions	783	(1)
Net cash provided by operating activities	<hr/> 19,159	<hr/> 18,527

(ii) Reconciliation of Cash and Cash Equivalents

	Note		
Cash and cash equivalents	11	22,417	17,920
Total cash and cash equivalents		<hr/> 22,417	<hr/> 17,920

28(i) Contingent Liabilities

(a) Contingent liabilities arising from public liability

As a local authority with ownership of numerous parks, reserves, roads (including footpaths) and other land holdings, the Council is regularly met with claims and demands allegedly arising from incidents which occur on land belonging to Council. At reporting date there were approximately 5 outstanding claims against Council in this regard. Council carries \$400 million of public liability insurance and had an excess of \$10,000 on this policy in 2010/11. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus.

There are no claims of which Council is aware which would fall outside the terms of Council's policy.

(b) Contingent liability arising from professional indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, Council is met with claims and demands for damages allegedly arising from actions of Council or its officers. At reporting date there were no outstanding claims against Council in this regard. Council carries \$300 million of professional indemnity insurance and has an excess of \$10,000 on this policy in 2010/11. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus. There are no instances or claims of which Council is aware which would fall outside the terms of Council's policy.

(c) The Council has guaranteed the following loans

- (i) \$120,000 made by the Bendigo Bank Limited to the Hampton Rovers Amateur Football Club Inc. and the Hampton Cricket Club Inc. for the upgrading of the pavilion at the David Street Reserve.
Loan balance as at 30 June 2011 is \$11,198 (30 June 2010 – \$27,983)



**Notes to and forming part of the Accounts
for the year ended 30 June 2011**

28(i) Contingent Liabilities (continued)

- (ii) \$50,000 made by the Bendigo Bank to the Sandringham City Junior Soccer Club for the upgrading of the pavilion at the Tulip Street Reserve
Loan balance as at 30 June 2011 is \$33,389 (30 June 2010 - \$37,486)
- (iii) \$20,000 made by the Bendigo Bank to the Sandringham Baseball Club towards the upgrading of the pavilion at the Tulip Street Reserve
Loan balance as at 30 June 2011 is \$7,034 (30 June 2010 - \$11,386)
- (iv) \$55,000 made by the Bendigo Bank to the Sandringham Bowls Club towards the water conservation and re-use project at the club.
Loan balance as at 30 June 2011 is \$25,873 (30 June 2010 – \$36,468)
- (v) \$45,000 made by the Bendigo Bank to the Beaumaris Yacht Club towards repairs to the club's building.
Loan balance as at 30 June 2011 is \$37,416 (30 June 2010 – \$40,782)
- (vi) \$100,000 made by the Bendigo Bank to the Sandringham Football Club towards refurbishment of the club's social club building.
Loan balance as at 30 June 2011 is \$91,880 (30 June 2010 – \$98,497)
- (vii) \$40,000 made by the Bank of Queensland to the Hurlingham Park Tennis Club towards replacement of the club's tennis court surfaces.
Loan balance as at 30 June 2011 is \$36,291 (30 June 2010 – nil)
- (viii) \$50,000 made by the Bendigo Bank to the Beaumaris Bowls Club towards replacement of the club's grass bowls green with a synthetic surface.
Loan balance as at 30 June 2011 is \$25,469 (30 June 2010 – nil)
- (ix) \$44,500 made by the Westpac Bank to the Brighton Playroom Association towards renovations to the North Brighton Children's Centre.
Loan balance as at 30 June 2011 is \$17,720 (30 June 2010 – nil)

28(ii) Contingent Assets

(a) Sale of road – Barr Street Road Reserve

Council has undertaken the statutory procedures to discontinue Barr Street East Brighton under clause 3 of schedule 10 of the *Local Government Act 1989*.

A contract of sale has been entered into for the sale of the road reserve subject to a number of conditions being met within 3 years to the satisfaction of Council.

29. Financial Ratios

(a) Debt servicing ratio

	2011	2010	2009
(To identify the capacity of a Council to service its outstanding debt.)			
<u>Debt servicing costs</u>	1.3%	1.3%	1.4%
Total revenue			

(This means that 1.3% of total revenue is utilised to service Council's debt.)

Notes to and forming part of the Accounts
for the year ended 30 June 2011

29. Financial Ratios (continued)

(b) Debt commitment ratio	2011	2010	2009
(To identify Council's debt redemption strategy)			
<u>Debt servicing and redemption costs</u> Rate revenue	5%	5%	6%

(This means that 5% of rate revenue is utilised to service the interest and amortisation of Council's debt)

(c) Revenue ratio

(To identify a Council's dependence on non-rate income)

<u>Rate revenue</u> Total revenue	68%	67%	67%
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(This means that 68% of total revenue is raised from rates.)

(d) Debt exposure ratio

(To identify a Council's exposure to debt.)

<u>Total indebtedness</u> Total realisable assets	1:44	1:40	1:38
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(This means that for every dollar of debt, the Council controls \$44 of net realisable assets).

(e) Working capital ratio

(To assess a Council's ability to meet current commitments)

<u>Current assets</u> Current liabilities	1.7 to 1	1.3 to 1	1.5 to 1
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(This means that for every dollar of current liabilities, Council has \$1.70 of current assets.)

Definitions

- **Current assets:**
Cash or other assets of the entity that would in the ordinary course of the operations of the Council be consumed or converted into cash within 12 months after the end of the last reporting period of the Council.
- **Current liabilities:**
Total current liabilities as shown in the balance sheet.
- **Debt redemption:**
Includes the principal component of repayments on loans and financial leases and capital items purchased on vendor terms, and contributions to sinking funds.
- **Debt servicing costs:**
Includes interest and charges on loans, overdrafts, financial leases and interest on payments for capital items purchased on vendor terms.



Notes to and forming part of the Accounts for the year ended 30 June 2011

- **Rate revenue:**
Includes revenue from general rates, municipal charges, special rates, special charges, service rates and service charges.
- **Total indebtedness:**
Total liabilities, both current and non-current, as shown in the Balance Sheet, less liabilities associated with restricted assets.
- **Total realisable assets:**
For the purposes of the calculation of financial ratios, realisable assets have been considered to be those assets which can be sold and which are not subject to any restriction on realisation or use. Any liability represented by a restricted asset is excluded from total indebtedness. The following assets have been removed from total assets when calculating Council's realisable assets: restricted assets, drains and roads
- **Total revenue:**
Total revenue as shown in the income statement.



**Certification of Financial Statements
for the year ended 30 June 2011**

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2004*, Australian Accounting Standards and other mandatory professional reporting requirements.

PRINCIPAL ACCOUNTING OFFICER
Michael Divens

Dated: September 2011

In our opinion the accompanying financial statements present fairly the financial transactions of the Bayside City Council for the year ended 30 June 2011 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council on September 2011 to certify the financial statements in their final form.

MAYOR
Alex del Porto

Dated: September 2011

COUNCILLOR
Clifford Hayes

Dated: September 2011

CHIEF EXECUTIVE OFFICER
Adrian Robb

Dated: September 2011



Auditor-General's Report

To be issued by the Auditor-General



Auditor-General's Report

To be issued by the Auditor-General

Performance Statement

**for the year ended
30 June 2011**



Performance Statement for the year ended 30 June 2011

Part 1 - Non-financial indicators

During the 2010/2011 financial year Council implemented a range of actions to ensure we continue to meet the needs of the Bayside community. The Council Plan commitments are listed below, with the key strategic activities and performance measures for the 2010/2011 financial year. These are incorporated as part of the Annual Budget process through the development of the Annual Action Plan. The activities and measures have been designed to directly link with the community's perception of how well Council is meeting community needs, so that any improvements can be planned accordingly.

In accordance with Section 132 (1) & (2)(a)(b) of the *Local Government Act 1989*, after the end of each financial year, a Council must prepare a performance statement which includes the Key Strategic Activities and performance targets and measures specified under section 127 and the actual results achieved for that financial year.

Commitment 1 – Lifestage wellbeing of our people

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction with health and human services	73	74	76	Achieved
Implement a Council managed model of delivered meals that meets the needs of vulnerable aged residents and those with disabilities who are nutritionally at risk, through the establishment of a meal distribution facility	N/A	Council facility ready to commence operation by November 2010. 100% by end December 2010 (complete)	The Delivered Meals Centre commenced operation in December 2010. The centre is supported by a volunteer network of 100, who deliver meals to vulnerable aged residents and those with disabilities.	Achieved

Commitment 2 – Advocacy for and with our community

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction rating for Council's advocacy and community representation on key local issues	56	57	58	Achieved
Prepare in conjunction with Vic Roads and key stakeholders a Corridor Strategy for Beach Road which considers the No Stopping Trial, access, safety and amenity of all Beach Road users	N/A	Completion by March 2011	The key recommendations for the Draft Beach Road Corridor Strategy are complete and scheduled to be considered by Council on 23 August 2011.	Not achieved

**Performance Statement
for the year ended 30 June 2011**

Commitment 3 – Managing our built environment

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction with town planning policy and approvals	51	50	49	Not achieved
Community satisfaction with local roads and footpaths	N/A	60	58	Not achieved
Community satisfaction with traffic management and parking facilities	N/A	56	59	Achieved
Review the Bayside Planning Scheme and rewrite the Local Planning Policy Framework (LPPF)	N/A	Completed for consultation by October 2010	Council endorsed the policy neutral rewrite of the MSS on 23 November 2010. The Preliminary Planning Scheme Review report was endorsed for consultation by Council at its meeting of 13 December 2010.	Achieved (however not within target timeframe)

Commitment 4 – Natural environment, open space and biodiversity

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction with appearance of public areas	67	68	69	Achieved
Community satisfaction with waste management	80	79	79	Achieved
Develop a Bayside Open Space Strategy to identify needs for leisure, sports and conservation of natural areas.	N/A	Completion of Open Space Strategy by December 2010 to meet identified needs for leisure, sports and conservation of natural resources	The draft Bayside Open Space Strategy was endorsed by Council on 8 March 2011 for community engagement. Community engagement activities completed as part of 'Our City's Future' and the final Open Space Strategy is due to be considered by Council in November 2011.	Not achieved

**Performance Statement
for the year ended 30 June 2011**

Commitment 5 – Community engagement and having real conversations

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction rating for Council's engagement in decision making on key local issues	57	58	57	Not achieved
Develop and implement community engagement plans for all major projects which have a high impact as defined in the Communications Engagement Framework	N/A	All major projects have adopted community engagement plans by December 2010	Community engagement is now integrated into all capital works projects.	Achieved

Commitment 6 – Stewardship, governance and leadership

Performance measure	Result 2009/2010	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Community satisfaction rating for overall performance generally of the Council	64	65	66	Achieved
Review Council's Customer Service Charter and performance against it, and our ongoing reporting of results	N/A	Review completed and reporting by April 2011	Review currently underway and recommendations are to be presented to Council in March 2012.	Not achieved

**Performance Statement
for the year ended 30 June 2011**

Part 2 - Financial indicators

<u>Indicator</u>	Target 2010/2011	Result 2010/2011	Outcome 2010/2011
Financial Health			
Underlying result (net surplus/revenue) - Sufficient operating income to cover operating expenses	Greater than zero	7.81%	Achieved
Liquidity (current assets/current liabilities) - The ability to pay existing liabilities within the next 12 months	1 or greater	1.7	Achieved
Debt Management			
Indebtedness as a percentage of rates & charges - This measures the total indebtedness as a percentage of rates and charges as loans are secured against the revenue stream from rates	Less than 80%	27.42%	Achieved
Indebtedness (non-current liabilities /own source revenue) - The ability to repay debt from own source revenue being revenue not tied to specific projects	Less than 40%	19.80%	Achieved
Debt servicing costs as a percentage of total revenue - The proportion of total revenue required to service Council's debt costs	Less than 5%	1%	Achieved
Capital expenditure			
Self-financing (net operating cash/underlying revenue) - The ability to replace assets using cash generated from day-to-day operations	Greater than 20%	21%	Achieved
Investment gap (capital spend/depreciation) - Risk of insufficient spending on capital renewal	Greater than 1	1.3	Achieved
Percentage achievement of capital expenditure - Measures the level of capital project completion	Greater than 80%	86%	Achieved
Debtor management			
Percentage of rates & charges outstanding - Measures the efficiency for collection of outstanding rates and charges	Less than 3%	2%	Achieved

Notes to and forming part of the Performance Statement for the year ended 30 June 2011

1. The source of the community satisfaction indicators and targets is the Department of Planning and Community Development (DPCD) Annual Community Satisfaction Survey. Council aims to maintain a score in line with the rolling average of the last three years. The 2010/2011 targets were set in accordance with these averages.
2. The remainder of the performance measures above are taken from the Indicators in Bayside's Council Plan 2010 – 2014 and from the Key Strategic Activities in the Annual Action Plan 2010 – 2011.



**Council approval of the Performance Statement
for the year ended 30 June 2011**

In our opinion, the accompanying performance statement of the Bayside City Council in respect of 2010/11 financial year is presented fairly in accordance with the *Local Government Act 1989*.

The statement incorporates the performance measures set out in relation to the achievement of the business plan in respect of that year described in Council's annual budget and describes the extent to which the business plan was met in that year having regard to those indicators.

As at the time of signing, we are not aware of any circumstances, which would render any particular in the statement to be misleading or inaccurate.

MAYOR

.....
Alex del Porto

Dated: September 2011

COUNCILLOR

.....
Clifford Hayes

Dated: September 2011



Auditor-General's Report

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