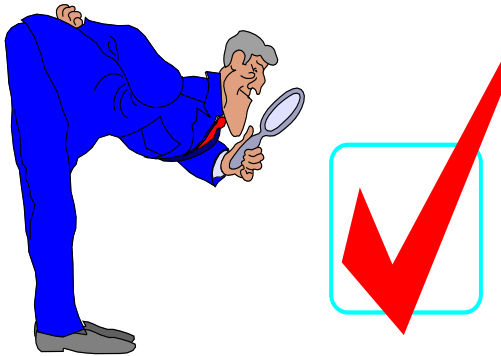


Executive Summary



The Council is pleased to have met the completion deadlines and again achieved clear (unqualified) audit reports.

SUMMARY OF FINANCIAL REPORTS FOR THE YEAR			
	Budget 2007 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
Statement of Financial Performance			
Total ordinary revenues	77,254	78,859	68,557
Total ordinary expenses	61,586	63,171	56,384
Profit/(Loss) from Disposal of Assets		(926)	1,268
Surplus (deficit) before revenue for capital purposes	883	3,693	6,116
Surplus after revenue for capital purposes	15,668	15,688	12,173
Statement of Financial Position			
Total current assets		54,698	43,994
Total current liabilities		14,621	15,168
Total non-current assets		678,653	671,857
Total non-current liabilities		36,706	34,347
Total equity		682,024	666,336
Statement of Cash Flows			
Net Cash from Operations	27,948	28,361	11,589
Net Increase (Decrease) in Cash Held	(6,218)	5,788	(132)
Cash at End of Reporting Period	13,837	25,843	20,055
Proceeds from Sale of Assets (excluding Investment Securities)	1,975	1,616	4,908
Purchase of Property, Plant & Equipment	66,734	24,787	20,083
Other financial information			
Unrestricted current ratio		2.1:1	1.47:1
Debt service ratio		0.06:1	0.07:1
Rates coverage ratio		0.47:1	0.47:1
Rates outstanding percentage		2.83%	3.14%

Statement of Financial Performance

Calculation of the surplus (or deficit) is not an exact science and requires professional judgements made within the guidelines of the NSW Local Government Accounting Code and "generally accepted accounting practice". The exclusion of capital expenditure and inclusion of depreciation of assets has a major effect on the Council's results and is one of these judgements. A surplus (or deficit) thus calculated is at best only an indicator as to whether a Council might be running down the assets (deficit situation) or asking the current generation to contribute too much to the revenue (surplus situation).

Overall the Council has achieved sufficient revenues to meet all its expenses including depreciation and the surplus is considered to be reasonable.

The surplus from ordinary activities after revenue for capital items was around \$15.6m in 2007 (from \$12.1m previous year). There was a surplus of about \$3.693m before allowing for revenue from capital items.

Notable factors affecting the net result, compared to 2006:

1. Increased capital revenue contributed for the Batemans Bay bypass (Spine Road), for the RFS Mogo Training Centre and by subdividers, developers and via government subsidised water and sewerage schemes (2006/07 \$11.995m; 2005/06 \$6.057m; Difference \$5.938m).
2. Reduced revenue for grant funded operating programs (2006/07 \$11.718m; 2005/06 \$12.542m; Difference \$0.824m).
3. Loss on disposal of assets (\$0.926m), was largely related to the write off of obsolete sewer and roading assets, which were replaced during the year. The replacements were fully funded.

Other Financial Indicators

It should be recognised that all Councils are different – they differ in size, location, growth and future direction.

Eurobodalla Shire Council falls into the 'developing/growing' group of councils. Significant resources and funding are required to conduct the growth in services, facilities, infrastructure and environment protection that is expected by residents, visitors and the residents of the future. With those demands come risks that must be managed and there is a tendency to have higher debt and rate coverage.

Unrestricted Current Ratio

The unrestricted current ratio measures the degree to which current obligations are covered by uncommitted current assets, and is a close approximation of the unencumbered working capital of a council

After adjusting for funds subject to external legal restrictions, such as developer contributions, sewer water and waste, the unrestricted current ratio (funds over which Council has discretion), has improved to 2.1:1 (from 1.47:1 last year). This exceeds industry standards for this ratio.

After further adjusting for internal restrictions, ie. funds which Council itself has restricted for specific purposes, the amount of discretionary funds remaining is still positive.

Debt Service Ratio

The debt service ratio of 0.06:1 is an assessment of the operating revenue committed to the repayment of debt. This is well within Department of Local Government guidelines.

Water, sewer and waste borrowings represent 40% (\$14.1m) of all loans. Even while continuing to construct significant infrastructure and facility projects such as water and sewer works, roading, streetscaping and foreshore projects, the debt service ratio and borrowing costs have continued to decline. This was assisted by the use of developer contributions in lieu of further new borrowings. However it should be noted that this trend is expected to reverse in future years based on the Council's financial plans to expend on significant capital developments.

Rate Cover Ratio

The rate cover ratio indicates the extent to which the Council relies on rates versus grants and other revenue. This ratio is affected by the Council's ability to source grants and its user fees and charges policies. Other sources of income help to minimise rates or provide additional funding for services, but can create other risks if the income is variable or ceases.

Rates Outstanding Percentage

Levels of outstanding uncollected rates (2.83%) remain low compared to most other Councils through a combination of effective administration and ratepayer cooperation. There has been a slight improvement during 2006/07, although the overall percentage continues to be affected by various factors, including the economic situation.

Asset Management /Condition of Assets

While most assets are considered to be reasonably well maintained, asset condition factors for roads & bridges raise some concern. Consent for some additional rates funding towards addressing this was sought and obtained for 2003/04, 2004/05, 2005/06 and 2006/07. Long term asset management issues will be examined further as asset management systems & strategies are completed and further information becomes available. The Council has adopted an Integrated Water Cycle Management Plan and related long term financial modelling. The water cycle and waste business/asset management strategies are currently being further reviewed and documented. More information on asset condition is available from Special Schedule 7.

During 2006/07, \$9.359 million was spent on renewal of existing assets. When compared to Council's \$12.265 million depreciation expense, it indicates the possibility that Council may not be maintaining all its past assets/services or will reach a point where catch up is required. In particular there is a concern about some roads constructed in the 1960s. This is an issue that is affecting local government generally and is the subject of an inquiry into financial sustainability.

Other sources of information.

Further detailed commentary is available from the following sources:

- The Financial Statements (such as the auditor's report on the conduct of the audit and note 16 explaining variations from original budgets).
- The Annual Report (a fully detailed commentary on achievements including non financial information).