

Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL REPORT
for the year ended 30 June 2009

“Good Government, Better Living”



EUROBODALLA SHIRE COUNCIL

Good Government, better living

Eurobodalla Shire Council

General Purpose Financial Report for the financial year ended 30 June 2009

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Overview

- (i) This Financial Report covers the consolidated operations for Eurobodalla Shire Council.
- (ii) Eurobodalla Shire Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 20th October 2009. Council has the power to amend and reissue the financial report.
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Eurobodalla Shire Council

General Purpose Financial Report for the financial year ended 30 June 2009

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

The attached General Purpose Financial Report has been prepared in accordance with:

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

To the best of our knowledge and belief, this Report:

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

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

Signed in accordance with a resolution of Council made on 20th October 2009.



FD Thomson
MAYOR



CP Vardon OAM (Deputy Mayor)
COUNCILLOR



PJ Anderson
GENERAL MANAGER



MS Craighead
RESPONSIBLE ACCOUNTING OFFICER

Eurobodalla Shire Council

Income Statement

for the financial year ended 30 June 2009

Budget ⁽¹⁾			Actual	Actual
2009	\$ '000	Notes	2009	2008
Income from Continuing Operations				
Revenue:				
42,129	Rates & Annual Charges	3a	42,103	39,497
15,001	User Charges & Fees	3b	14,931	13,580
1,818	Interest & Investment Revenue	3c	809	-
957	Other Revenues	3d	1,991	2,653
9,234	Grants & Contributions provided for Operating Purposes	3e,f	13,854	12,522
18,639	Grants & Contributions provided for Capital Purposes	3e,f	19,815	12,508
87,778	Total Income from Continuing Operations		93,503	80,760
Expenses from Continuing Operations				
27,638	Employee Benefits & On-Costs	4a	27,455	24,991
3,318	Borrowing Costs	4b	2,759	2,495
20,777	Materials & Contracts	4c	18,086	18,523
13,713	Depreciation & Amortisation	4d	15,372	12,885
5,159	Other Expenses	4e	8,691	7,203
-	Interest & Investment Losses	3c	-	586
-	Net Losses from the Disposal of Assets	5	1,832	1,161
70,605	Total Expenses from Continuing Operations		74,195	67,844
17,173	Net Operating Result for the Year		19,308	12,916
	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			
(1,466)			(507)	408

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

Eurobodalla Shire Council

Balance Sheet

as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,809	5,217
Investments	6b	22,786	26,151
Receivables	7	5,002	10,264
Inventories	8	1,309	629
Other	8	870	189
Non-current assets classified as "held for sale"	22	-	167
Total Current Assets		43,776	42,617
Non-Current Assets			
Investments	6b	1,077	1,585
Receivables	7	155	158
Inventories	8	46	46
Infrastructure, Property, Plant & Equipment	9	906,842	875,335
Investment Property	14	1,600	2,955
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		909,720	880,079
TOTAL ASSETS		953,496	922,696
LIABILITIES			
Current Liabilities			
Payables	10	7,141	11,065
Borrowings	10	5,325	3,904
Provisions	10	7,466	6,938
Total Current Liabilities		19,932	21,907
Non-Current Liabilities			
Payables	10	-	119
Borrowings	10	39,539	34,864
Provisions	10	4,042	3,572
Total Non-Current Liabilities		43,581	38,555
TOTAL LIABILITIES		63,513	60,462
Net Assets		889,983	862,234
EQUITY			
Retained Earnings	20	714,756	694,940
Revaluation Reserves	20	175,227	167,294
Total Equity		889,983	862,234

Eurobodalla Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2009

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		694,940	167,983	862,923	-	862,923
a. Correction of Prior Period Errors	20 (c)	-	(689)	(689)	-	(689)
Revised Opening Balance (as at 1/7/08)		694,940	167,294	862,234	-	862,234
b. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	8,441	8,441	-	8,441
Net Income Recognised Directly in Equity		-	8,441	8,441	-	8,441
c. Net Operating Result for the Year		19,308	-	19,308	-	19,308
Total Recognised Income & Expenses (c&d)		19,308	8,441	27,749	-	27,749
d. Transfers between Equity		508	(508)	-	-	-
Equity - Balance at end of the reporting period		714,756	175,227	889,983	-	889,983

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		673,628	8,396	682,024	-	682,024
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		673,628	8,396	682,024	-	682,024
b. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	8,396	158,898	167,294	-	167,294
Net Income Recognised Directly in Equity		8,396	158,898	167,294	-	167,294
c. Net Operating Result for the Year		12,916	-	12,916	-	12,916
Total Recognised Income & Expenses (c&d)		21,312	158,898	180,210	-	180,210
d. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
Equity - Balance at end of the reporting period		694,940	167,294	862,234	-	862,234

Eurobodalla Shire Council

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Operating Activities				
Receipts:				
42,128	Rates & Annual Charges		41,979	39,365
15,710	User Charges & Fees		15,889	14,315
1,818	Interest & Investment Revenue Received		1,607	2,990
29,252	Grants & Contributions		35,470	19,132
4,905	Other		7,225	5,334
Payments:				
(27,844)	Employee Benefits & On-Costs		(27,150)	(24,296)
(23,946)	Materials & Contracts		(22,899)	(14,744)
(3,318)	Borrowing Costs		(2,271)	(2,272)
(7,822)	Other		(10,263)	(7,752)
30,884	Net Cash provided (or used in) Operating Activities	11b	39,588	32,072
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		19,300	38,871
2,625	Sale of Infrastructure, Property, Plant & Equipment		1,669	1,720
-	Deferred Debtors Receipts		14	17
Payments:				
-	Purchase of Investment Securities		(16,524)	(48,226)
(58,303)	Purchase of Infrastructure, Property, Plant & Equipment		(41,551)	(48,505)
(55,678)	Net Cash provided (or used in) Investing Activities		(37,092)	(56,123)
Cash Flows from Financing Activities				
Receipts:				
22,857	Proceeds from Borrowings & Advances		10,000	5,273
Payments:				
(3,129)	Repayment of Borrowings & Advances		(3,904)	(1,848)
19,728	Net Cash Flow provided (used in) Financing Activities		6,096	3,425
(5,066)	Net Increase/(Decrease) in Cash & Cash Equivalents		8,592	(20,626)
5,217	plus: Cash & Cash Equivalents - beginning of year	11a	5,217	25,843
151	Cash & Cash Equivalents - end of the year	11a	13,809	5,217

Please refer to Note 11 for information on the following:

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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n/a - not applicable

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial reports.

(a) Basis of preparation

(i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's or (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

Accordingly in preparing this Financial Report and Accompanying Notes, Council has been unable to comply fully with International Accounting Standards, but it has complied fully with Australian Accounting Standards.

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

(iii) Application of AAS 27

AAS 27 – Financial Reporting by Local Government was withdrawn from use from 1 July 2008.

All key elements however of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

(iv) Basis of Accounting

These financial statements have been prepared on an **historical cost basis** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at Fair Valuation.

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

(v) Changes in Accounting Policies

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) requires the use of certain critical accounting estimates (in conformity with AIFRS).

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

(b) Revenue recognition

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A minor provision for the impairment on rates receivables has been established to cover land being reclassified to non rateable. Normally unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

In respect of parking fees and fines, revenue is recognised on receipt.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

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

(c) Principles of Consolidation

These financial reports incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/09) and **(ii)** all the related operating results (for the financial year ended the 30th June 2009).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply Fund
- Sewerage Fund
- Domestic & Non-Domestic Waste Funds
- Environment Fund
- Batemans Bay Children & Family Centre Committee
- Batemans Bay Mackay Park Committee

- Batemans Bay Rugby Grounds Committee
- Batemans Bay Sailing Complex Committee
- Batemans Bay Tennis Courts Committee
- Bodalla Hall Committee
- Broulee Tennis Courts Committee
- Dalmeny Oval Committee
- Dalmeny Tennis Courts Committee
- Durras Hall Committee
- Eurobodalla Regional Botanic Gardens Committee
- Malua Bay Community Centre & Tennis Courts Committee
- Moruya Basketball Stadium Committee
- Moruya Racecourse Committee
- Moruya Showground Committee
- Narooma Tennis Courts Committee
- Nelligen Tennis Courts Committee
- Tuross Progress Hall Committee
- Tuross Memorial Gardens Committee

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

Details relating to such Entities and Partnerships (where applicable) are set out in Note 19.

(iv) Associated Entities

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

Such entities are usually termed "Associates".

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

Following on from amendments made to AASB 139 - Financial Instruments: Recognition & Measurement in October 2008, Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Actual Reclassifications

Council did not take up the option to reclassify some financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 in October 2008.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "fair value through profit or loss" category are included in the income statement in the period in which they arise.

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

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

Impairment

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

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

(iii) Types of Investments

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

Investments are placed and managed in accordance with the Policy and having particular regard to

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

authorised investments prescribed under the Local Government Investment Order.

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

Council amended its policy during the current reporting year following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

are all stated at the lower of cost and net realisable value.

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2009/10:** Roads, Bridges, Footpaths and Drainage assets
- **2010/11:** Community land, Land improvements, Other structures and other assets

Until these designated future reporting periods, the above remaining asset classes are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial report at their fair value at acquisition date - being the amount that the asset could have been exchanged

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment	
Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	> \$5,000
- renovations	> \$5,000
Other Structures	> \$5,000

Water & Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

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

Transport Assets	
Road construction & reconstruction	> \$5,000
Reseal/Re-sheet & major repairs:	> \$5,000
Bridge construction & reconstruction	> \$5,000

Depreciation

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

Land is not depreciated.

Estimated useful lives for Councils assets include:

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 years
- Computer Equipment	4 to 5 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years
<hr/>	
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
<hr/>	
Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years
<hr/>	
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 75 years
- Flood Control Structures	80 to 100 years
<hr/>	
Transportation Assets	
- Sealed Roads : Surface	15 to 100 years
- Sealed Roads : Structure	20 to 100 years
- Unsealed roads	10 to 100 years
- Bridge : Concrete	80 to 100 years
- Bridge : Other	80 to 100 years
- Road Pavements	100 years
- Kerb, Gutter & Paths	50 to 70 years
<hr/>	
Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes	25 to 80 years
- Pumps and telemetry	10 to 25 years
<hr/>	
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(m) Intangible Assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(n) Crown Reserves

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

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

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

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(o) Rural Fire Service assets

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

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

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

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both and is not occupied by Council.

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

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income" or "Other Expenses".

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

The last full revaluation for Council's Investment Properties was dated 30/06/2009.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the

relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(s) Impairment of assets

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(w) Provisions

Provisions for legal claims and service warranties are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

(x) Employee benefits

(i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Scheme, named the “Local Government Superannuation Scheme – Pool B”

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

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

For this reason, no liability for the deficiency has been recognised in Council’s accounts.

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is

given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2009.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.

If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

Council will apply the revised standard from 1 July 2009.

Applicable to Local Government but no implications for Council;

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions.

It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

There will be no impact on the financial reports as Council makes no share based payments.

AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.

Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

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

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008.

They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met

There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. Council will apply the revised rules prospectively from 1 July 2009.

After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group.

It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders.

These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

Not applicable to Local Government per se;

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

(ab) Rounding of amounts

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

(ac) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or

individually reported for the first time within this Financial Report and/or the Notes.

(ad) Disclaimer

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 2(a). Functions / Activities - Financial Disclosures

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008
	Governance	2	3	335	1,816	691	2,027	(1,814)	(688)	(1,692)	1	-	(1)
Administration	247	432	-	3,075	(426)	-	(2,828)	858	-	-	-	66,951	61,619
Public Order & Safety	605	1,131	1,881	1,949	2,392	2,029	(1,344)	(1,261)	(148)	738	602	10,983	11,033
Health	63	241	134	332	467	384	(269)	(226)	(250)	157	107	30	37
Community Services & Education	3,291	4,696	4,255	4,478	5,678	5,026	(1,187)	(982)	(771)	3,538	3,483	847	637
Housing & Community Amenities	9,838	10,668	10,681	12,798	14,402	13,144	(2,960)	(3,734)	(2,463)	765	1,154	41,815	40,961
Water Supplies	25,386	20,501	17,456	10,543	10,170	9,565	14,843	10,331	7,891	7,841	4,718	185,878	173,625
Sewerage Services	13,950	16,935	12,125	12,269	12,925	12,504	1,681	4,010	(379)	3,502	177	171,991	162,471
Recreation & Culture	740	2,017	2,168	5,624	7,817	6,096	(4,884)	(5,800)	(3,928)	1,070	478	225,544	226,152
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	497	570	457	935	891	691	(438)	(321)	(234)	-	-	448	270
Transport & Communication	4,427	7,466	6,910	11,673	12,557	11,949	(7,246)	(5,091)	(5,039)	1,056	957	181,543	177,886
Economic Affairs	4,138	4,270	3,736	5,107	6,260	5,218	(969)	(1,990)	(1,482)	100	-	67,467	68,005
Total Functions & Activities	63,184	68,930	60,138	70,599	73,824	68,633	(7,415)	(4,894)	(8,495)	18,768	11,676	953,496	922,696
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	24,594	24,573	23,590	6	371	2,179	24,588	24,202	21,411	7,499	5,800	-	-
Operating Result from Continuing Operations	87,778	93,503	83,728	70,605	74,195	70,812	17,173	19,308	12,916	26,267	17,476	953,496	922,696

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 2(b). Components of Functions / Activities

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

GOVERNANCE

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

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & SAFETY

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

HEALTH

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,815	14,276
Farmland		300	294
Business		2,877	2,807
Total Ordinary Rates		17,992	17,377
Special Rates			
Environmental		703	677
Total Special Rates		703	677
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		4,382	4,189
Stormwater Management Services		426	423
Water Supply Services		5,958	5,699
Sewerage Services		11,853	10,414
Waste Management Services (non-domestic)		789	718
Total Annual Charges		23,408	21,443
TOTAL RATES & ANNUAL CHARGES		42,103	39,497

Council has used 2005 year valuations provided by the NSW Valuer General in calculating its rates.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,996	4,885
Liquid Trade Waste		118	118
Total User Charges		5,114	5,003
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		638	654
Private Works - Section 67		406	275
Registration Fees		17	18
Section 149 Certificates (EPA Act)		622	729
Section 603 Certificates		69	83
Water Connection		158	179
Sewer Connection		15	20
Onsite Sewerage Management		179	115
Total Fees & Charges - Statutory/Regulatory		2,104	2,073
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Admission & Service Fees		48	25
Aerodrome		276	361
Caravan Park / Camping		2,204	1,903
Carparking Fees		104	111
Cemeteries		94	97
Community Service Programs		1,109	729
Landfill		1,605	1,531
Lease Rentals		1,120	829
RTA Charges (State Roads not controlled by Council)		1,011	863
Other		142	55
Total Fees & Charges - Other		7,713	6,504
TOTAL USER CHARGES & FEES		14,931	13,580

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		152	130
- Interest earned on Investments (interest & coupon payment income)		1,510	2,838
Fair Value Adjustments			
- Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(853)	(3,554)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>809</u>	<u>(586)</u>
Interest & Investment Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		152	130
General Council Cash & Investments		249	(2,103)
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		48	264
- Section 64		103	530
Water Fund Operations		13	373
Sewerage Fund Operations		244	220
<u>Total Interest & Investment Revenue Recognised</u>		<u>809</u>	<u>(586)</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	1,081
Rental Income - Other Council Properties		301	277
Fines		243	183
Legal Fees Recovery - Rates & Charges (Extra Charges)		180	133
Commissions & Agency Fees		166	140
Insurance Claim Recoveries		1	2
Recycling Income (non domestic)		435	216
Sales - General		469	471
Other		196	150
<u>TOTAL OTHER REVENUE</u>		<u>1,991</u>	<u>2,653</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	5,474	4,184	-	-
Financial Assistance - Local Roads Component	173	132	1,400	1,040
Pensioners' Rates Subsidies - General Component	452	444	-	-
Total General Purpose	6,099	4,760	1,400	1,040
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	191	187	-	-
- Sewerage	182	177	-	-
- Domestic Waste Management	153	150	-	-
Water Supplies	-	-	7,650	4,531
Sewerage Services	-	-	3,320	-
Bushfire & Emergency Services	520	819	226	49
Community Care	3,451	3,241	26	235
Environmental Programs	647	984	-	-
Heritage & Cultural	46	6	81	126
Parks & Reserves	121	14	-	16
Recreation & Culture	-	-	235	56
Street Lighting	46	45	-	-
Transport (Roads to Recovery)	639	587	-	-
Transport (Other Roads & Bridges Funding)	-	-	270	338
Other	74	100	890	15
Total Specific Purpose	6,070	6,310	12,698	5,366
Total Grants	12,169	11,070	14,098	6,406
Grant Revenue is attributable to:				
- Commonwealth Funding	3,037	1,411	8,690	4,580
- State Funding	9,065	9,640	5,340	1,768
- Other Funding	67	19	68	58
	12,169	11,070	14,098	6,406

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	12	12	342	357
S 94A - Fixed Development Consent Levies	-	-	164	94
S 64 - Water Supply Contributions	-	-	930	824
S 64 - Sewerage Service Contributions	-	-	619	604
Other Contributions - Subdivider Dedications	-	-	3,557	3,772
Total Developer Contributions	12	12	5,612	5,651
Other Contributions:				
Community Services	14	12	-	-
Employment & Training Programs	103	30	-	-
Environment	27	57	-	-
Kerb & Gutter	57	65	-	-
Libraries	89	90	-	-
Parks & Reserves	81	68	-	-
Recreation & Culture	34	45	-	205
Regulatory Services	-	22	-	-
Roadworks	28	3	104	240
RTA Contributions (Regional/Local, Block Grant)	952	948	-	-
Sewerage (excl. Section 64 contributions)	145	1	-	-
Tourism	14	5	-	-
Water Supplies (excl. Section 64 contributions)	16	4	-	-
Waste Management	27	18	-	-
Other	86	72	1	6
Total Other Contributions	1,673	1,440	105	451
Total Contributions	1,685	1,452	5,717	6,102
TOTAL GRANTS & CONTRIBUTIONS	13,854	12,522	19,815	12,508

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2009	Actual 2008
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	7,848	20,435
add: Grants and contributions recognised in the current period which have not been spent:	6,777	3,920
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(3,192)	(16,507)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	3,585	(12,587)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	11,433	7,848
Comprising:		
- Specific Purpose Unexpended Grants	5,253	1,160
- Developer Contributions	6,180	6,688
	11,433	7,848

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a) Employee Benefits & On-Costs			
Salaries and Wages		20,045	18,620
Travelling		1,407	1,210
Employee Leave Entitlements (ELE)		4,180	3,854
Superannuation		2,288	1,754
Workers' Compensation Insurance		1,208	888
Fringe Benefit Tax (FBT)		172	143
Payroll Tax		307	311
Training Costs (other than Salaries & Wages)		443	414
Other		171	324
Total Employee Costs		30,221	27,518
less: Capitalised Costs		(2,766)	(2,527)
TOTAL EMPLOYEE COSTS EXPENSED		27,455	24,991
Number of "Equivalent Full Time" Employees at year end		445	438
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,574	2,281
Total Interest Bearing Liability Costs		2,574	2,281
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		2,574	2,281
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	185	214
Total Other Borrowing Costs		185	214
TOTAL BORROWING COSTS EXPENSED		2,759	2,495
(c) Materials & Contracts			
Raw Materials & Consumables		14,719	14,874
Contractor & Consultancy Costs		2,980	3,215
Auditors Remuneration			
- Audit Services (Council's Auditor)		62	39
Legal Expenses:			
- Legal Expenses - Planning & Development		37	37
- Legal Expenses - Other		288	358
Total Materials & Contracts		18,086	18,523
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		18,086	18,523

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	2,541	2,297	-	-
Office Equipment	349	396	-	-
Furniture & Fittings	128	131	-	-
Property, Plant & Equipment - Leased	-	-	-	-
Land Improvements (depreciable)	45	43	-	-
Buildings - Non Specialised	898	432	-	-
Buildings - Specialised	721	381	-	-
Other Structures	749	639	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	2,811	2,749	-	-
- Stormwater Drainage	532	517	-	-
- Water Supply Network	2,474	2,098	-	-
- Sewerage Network	3,745	2,857	-	-
Other Assets				
- Heritage Collections	-	-	-	-
- Library Books	215	212	-	-
- Other	69	62	-	-
Asset Reinstatement Costs	95	71	-	-
Intangible Assets	-	-	-	-
Total Depreciation & Impairment Costs	15,372	12,885	-	-
less: Capitalised Costs	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>	<u>15,372</u>	<u>12,885</u>	<u>-</u>	<u>-</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		436	588
Bad & Doubtful Debts		(12)	74
Bank Charges / Cash Collection Expense		226	226
Commissions		234	212
Community Care Outsourced		287	302
Contributions to Other Levels of Government		675	702
Councillor Expenses - Mayoral Fee		33	32
Councillor Expenses - Councillors' Fees		131	131
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		86	90
Donations, Contributions & Assistance to other organisations (Section 356)		219	193
Election Expenses		205	-
Electricity & Heating		1,703	1,712
Insurance		1,213	1,066
Revaluation Decrements (applicable to Fair Valuation of Investment Properties)	14	1,355	-
Street Lighting		451	415
Subscriptions & Publications		180	173
Telephone & Communications		701	647
Valuation Fees		112	161
Venue / Facility Hire		8	13
Other		448	466
Total Other Expenses		8,691	7,203
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>8,691</u>	<u>7,203</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
Property (excl. Investment Property)			
Proceeds from Disposal		37	2
less: Carrying Amount of Property Assets Sold		(449)	(452)
Net Gain/(Loss) on Disposal		(412)	(450)
Plant & Equipment			
Proceeds from Disposal		1,417	1,210
less: Carrying Amount of P&E Assets Sold		(2,641)	(2,069)
Net Gain/(Loss) on Disposal		(1,224)	(859)
Financial Assets*			
Proceeds from Disposal		75	-
less: Carrying Amount of Financial Assets Sold		(319)	-
Net Gain/(Loss) on Disposal		(244)	-
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		215	343
less: Carrying Amount of "Held for Sale" Assets Sold		(167)	(195)
Net Gain/(Loss) on Disposal		48	148
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,832)	(1,161)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	4,959	-	917	-
Cash-Equivalent Assets ¹				
- Deposits at Call	2,350	-	2,800	-
- Short Term Deposits	6,500	-	1,500	-
Total Cash & Cash Equivalents	13,809	-	5,217	-
Investment Securities (Note 6b)				
- Managed Funds	497	577	4,257	585
- Long Term Deposits	14,601	500	13,000	1,000
-CDO's and other FRN's ²	7,688	-	8,894	-
Total Investment Securities	22,786	1,077	26,151	1,585
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	36,595	1,077	31,368	1,585

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

² Council appointed Structured Credit & Advisory Pty Ltd to provide independent valuations of its CDO's & Floating Rate Notes (FRN's).

The valuer used the market mode basis to independently value the currently active CDO's. In respect of the CDO's where the swaps have been terminated these were valued to reflect the underlying collateral and accrued but unpaid interest owed to investors (where Lehman Brothers Special Financing were the swap counterparty). The valuation of these is \$2,760,000 (Face Value \$3,470,000).

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	13,809	-	5,217	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	8,185	577	13,151	585
- "Designated At Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	14,601	500	13,000	1,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		22,786	1,077	26,151	1,585

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 6b. Investments (continued)

\$ '000	2009 Actual Current	2009 Actual Non Current	2008 Actual Current	2008 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	13,151	585	15,313	622
Revaluations (through the Income Statement)	(853)	-	(3,554)	-
Additions	737	35	10,276	-
Disposals (sales & redemptions)	(4,850)	(43)	(8,884)	(37)
Balance at End of Year	8,185	577	13,151	585
Comprising:				
- Managed Funds	497	577	4,257	585
- CDO's	7,688	-	8,894	-
Total	8,185	577	13,151	585
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	13,000	1,000	5,500	500
Additions	16,851	(500)	37,450	500
Disposals (sales & redemptions)	(15,250)	-	(29,950)	-
Balance at End of Year	14,601	500	13,000	1,000
Comprising:				
- Long Term Deposits	14,601	500	13,000	1,000
Total	14,601	500	13,000	1,000
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	36,595	1,077	31,368	1,585
attributable to:				
External Restrictions (refer below)	17,291	1,077	11,657	-
Internal Restrictions (refer below)	4,371	-	5,449	-
Unrestricted	14,933	-	14,262	1,585
	36,595	1,077	31,368	1,585

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Other

Developer Contributions - General (A)	2,972	1,713	(2,258)	2,427
Developer Contributions - Water Fund (A)	3,210	-	(468)	2,742
Developer Contributions - Sewer Fund (A)	506	505	-	1,011
Specific Purpose Unexpended Grants (B)	1,160	808	-	1,968
Specific Purpose Unexpended Grants (B) - Sewer Fund	-	3,285	-	3,285
Water Supplies (C)	244	941	-	1,185
Sewerage Services (C)	2,778	1,744	-	4,522
Domestic Waste Management (C)	266	1	-	267
Other Waste Management	-	451	-	451
Stormwater Management (C)	281	426	(539)	168
Crown Reserves	150	571	(469)	252
Tree Fund	44	-	-	44
Community Services Asset Replacement	46	-	-	46
External Restrictions - Other	11,657	10,445	(3,734)	18,368
Total External Restrictions	11,657	10,445	(3,734)	18,368

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Infrastructure Replacement	212	3,060	(3,139)	134
Employees Leave Entitlement	1,152	75	(119)	1,108
Unexpended General Loan Funds	3,103	5,700	(8,237)	566
Works Income Equalisation Fund	358	1,631	(97)	1,892
Council Recreational Loan Pool	176	15	(17)	174
Gravel Pits	154	2	-	156
Airport Fund	174	-	-	174
Management Committees	120	136	(108)	148
Revolving Fund	-	20	(2)	18
Total Internal Restrictions	5,449	10,640	(11,717)	4,371
TOTAL RESTRICTIONS	17,106	21,084	(15,452)	22,739

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	1,258	-	1,134	-
Interest & Extra Charges	171	-	116	-
User Charges & Fees	2,468	-	2,684	-
Accrued Revenues				
- Other Income Accruals	364	-	4,340	-
Government Grants & Subsidies	869	-	1,043	-
Deferred Debtors	8	155	19	158
Net GST Receivable	115	-	1,226	-
Other Debtors	1	-	5	-
Total	5,254	155	10,567	158
less: Provision for Impairment				
Rates & Annual Charges	(25)	-	(25)	-
Interest & Extra Charges	-	-	-	-
User Charges & Fees	(227)	-	(278)	-
Other Debtors	-	-	-	-
Total Provision for Impairment - Receivables	(252)	-	(303)	-
<u>TOTAL NET RECEIVABLES</u>	<u>5,002</u>	<u>155</u>	<u>10,264</u>	<u>158</u>
Externally Restricted Receivables				
Water Supply				
- Specific Purpose Grants	31	-	3,961	-
- Other	1,650	-	1,669	-
Other				
- Other Specific Purpose Grants	343	-	487	-
Total External Restrictions	2,024	-	6,117	-
Internally Restricted Receivables				
Nil				
Unrestricted Receivables	2,978	155	4,147	158
TOTAL NET RECEIVABLES	<u>5,002</u>	<u>155</u>	<u>10,264</u>	<u>158</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 10.00% (2008 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Inventories				
Real Estate for resale (refer below)	-	46	-	46
Stores & Materials	1,309	-	629	-
Total Inventories	1,309	46	629	46
Other Assets				
Prepayments	839	-	162	-
Work In Progress - Private Works	31	-	27	-
Total Other Assets	870	-	189	-
TOTAL INVENTORIES & OTHER ASSETS	2,179	46	818	46
Details for Real Estate Development				
Residential	-	46	-	46
Total Real Estate for Resale	-	46	-	46
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	13	-	13
Development Costs	-	18	-	18
Other Holding Costs	-	15	-	15
Total Costs	-	46	-	46
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	-	46	-	46
Movements:				
Real Estate assets at beginning of the year	-	46	-	-
- Purchases and other costs	-	-	-	46
Total Real Estate for Resale	-	46	-	46
(i) Externally Restricted Assets				
Water				
Stores & Materials	376	-	5	-
Other Assets	-	-	4	-
Total Water	376	-	9	-
Sewerage				
Other Assets	-	-	4	-
Total Sewerage	-	-	4	-
Total Externally Restricted Assets	376	-	13	-
Total Unrestricted Assets	1,803	46	805	46
TOTAL INVENTORIES & OTHER ASSETS	2,179	46	818	46

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2008					Asset Movements during the Reporting Period				as at 30/6/2009				
	At	At	Accumulated		Carrying	Asset Additions	WDV Asset Disposals	Depreciation Expense	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value					Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	39,283	-	-	-	39,283	5,432	(982)	-	-	43,733	-	-	-	43,733
Plant & Equipment	-	26,060	15,048	-	11,012	4,661	(974)	(2,541)	-	-	27,964	15,806	-	12,158
Office Equipment	-	4,682	3,478	-	1,204	250	(4)	(349)	-	-	4,801	3,700	-	1,101
Furniture & Fittings	-	1,837	1,074	-	763	198	-	(128)	-	-	2,035	1,202	-	833
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:														
- Operational Land	-	56,501	-	-	56,501	-	(10)	-	-	-	56,491	-	-	56,491
- Community Land	194,821	-	-	-	194,821	-	-	-	-	194,821	-	-	-	194,821
- Land under Roads (purchased pre 1/7/08)	8,758	-	-	-	8,758	-	-	-	-	8,758	-	-	-	8,758
- Land under Roads (purchased post 30/6/08)	-	-	-	-	-	75	-	-	-	75	-	-	-	75
Land Improvements - non depreciable	62	-	-	-	62	2,055	-	-	-	2,117	-	-	-	2,117
Land Improvements - depreciable	3,817	-	365	-	3,452	65	-	(45)	-	3,881	-	409	-	3,472
Buildings - Non Specialised	-	54,493	13,667	-	40,826	723	(205)	(898)	-	-	54,665	14,219	-	40,446
Buildings - Specialised	-	46,513	14,124	-	32,389	2,325	(231)	(721)	-	-	48,478	14,716	-	33,762
Other Structures	23,105	2,789	8,511	-	17,383	1,819	-	(749)	-	24,924	2,789	9,260	-	18,453
Infrastructure:														
- Roads, Bridges, Footpaths	258,599	-	106,808	-	151,791	17,334	-	(2,811)	-	275,932	-	109,618	-	166,314
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	37,236	-	11,199	-	26,037	2,152	-	(532)	-	39,389	-	11,732	-	27,657
- Water Supply Network	-	208,445	68,891	-	139,554	2,536	(212)	(2,474)	4,107	-	216,799	73,288	-	143,511
- Sewerage Network	-	235,016	86,340	-	148,676	1,342	(472)	(3,745)	4,334	-	242,699	92,564	-	150,135
Other Assets:														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	1,280	-	629	-	651	188	-	(215)	-	1,467	-	843	-	624
- Other	2,156	-	907	-	1,249	70	-	(69)	-	2,226	-	976	-	1,250
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26:														
- Tip Asset	-	2,741	1,818	-	923	303	-	(95)	-	3,044	-	1,913	-	1,131
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	569,117	639,077	332,859	-	875,335	41,528	(3,090)	(15,372)	8,441	600,367	656,721	350,246	-	906,842

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000 Class of Asset	Actual 2009				Actual 2008			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	4,458	-	3,104	1,354	-	4,224	2,835	1,389
Office Equipment	20	-	18	2	-	20	15	5
Furniture & Fittings	6	-	5	1	-	6	4	2
Land								
- Operational Land	-	1,727	-	1,727	-	1,710	-	1,710
- Community Land	-	70	-	70	87	-	-	87
Buildings	-	2,242	764	1,478	-	2,225	725	1,500
Other Structures	127	-	17	110	124	-	13	111
Infrastructure	-	216,798	73,288	143,510	-	208,444	68,892	139,552
Infrastructure (other incl. WIP)	31,695	-	54	31,641	20,213	-	48	20,165
Total Water Supply	36,306	220,837	77,250	179,893	20,424	216,629	72,532	164,521
Sewerage Services								
Plant & Equipment	1,353	-	870	483	-	1,107	807	300
Office Equipment	105	-	60	45	-	105	44	61
Furniture & Fittings	17	-	15	2	-	17	13	4
Land								
- Operational Land	-	2,855	-	2,855	-	2,778	-	2,778
- Community Land	-	15	-	15	92	-	-	92
Buildings	-	2,790	851	1,939	-	2,822	849	1,973
Other Structures	225	-	16	209	76	-	11	65
Infrastructure	-	242,699	92,564	150,135	-	235,017	86,340	148,677
Infrastructure (other incl. WIP)	7,589	-	100	7,489	5,340	-	88	5,252
Total Sewerage Services	9,289	248,359	94,476	163,172	5,508	241,846	88,152	159,202
Domestic Waste Management								
Plant & Equipment	1,782	-	255	1,527	-	857	144	713
Office Equipment	16	-	9	7	-	19	9	10
Furniture & Fittings	5	-	4	1	-	5	4	1
Land								
- Operational Land	-	4,393	-	4,393	-	4,393	-	4,393
- Improvements - depreciable	215	-	27	188	215	-	24	191
Buildings	-	824	292	532	-	808	267	541
Other Structures	2,051	-	599	1,452	2,021	-	445	1,576
Other Assets (incl. WIP)	1,901	-	298	1,603	3,366	-	2,111	1,255
Total DWM	5,970	5,217	1,484	9,703	5,602	6,082	3,004	8,680
TOTAL RESTRICTED I,PP&E	51,565	474,413	173,210	352,768	31,534	464,557	163,688	332,403

Note 9c. I,PP&E Gains/(Losses) arising from the Impairment of Assets

There have been no impairment losses during the reporting period nor reversed any prior period losses.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,855	-	3,227	-
Goods & Services - capital expenditure		2,320	-	5,900	-
Payments Received In Advance		303	-	219	-
Accrued Expenses;					
- Other Expenditure Accruals		1,185	-	1,087	-
Security Bonds, Deposits & Retentions		441	-	592	-
Other		37	-	40	119
Total Payables		7,141	-	11,065	119
Borrowings					
Loans - Secured ¹		5,325	39,539	3,904	34,864
Total Borrowings		5,325	39,539	3,904	34,864
Provisions					
Employee Benefits;					
Annual Leave		3,056	-	2,799	-
Sick Leave		26	-	-	-
Long Service Leave		4,384	187	4,139	205
Sub Total - Aggregate Employee Benefits		7,466	187	6,938	205
Asset Remediation/Restoration (Future Works)	26	-	3,855	-	3,367
Total Provisions		7,466	4,042	6,938	3,572
Total Payables, Borrowings & Provisions		19,932	43,581	21,907	38,555

(i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	304	6,345	198	4,851
Water	190	307	2,248	435
Sewer	3,123	9,398	726	10,617
Liabilities relating to externally restricted assets	3,617	16,050	3,172	15,903
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	3,617	16,050	3,172	15,903

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	2009	2008
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	3,994	3,477
	<u>3,994</u>	<u>3,477</u>

Note 10b. Description of and movements in Provisions

Class of Provision	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/09
Annual Leave	2,799	2,596	(2,339)	-	-	3,056
Sick Leave	-	26	-	-	-	26
Long Service Leave	4,344	971	(744)	-	-	4,571
Asset Remediation	3,367	303	-	185	-	3,855
TOTAL	10,510	3,896	(3,083)	185	-	11,508

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,809	5,217
Less Bank Overdraft	10	-	-
BALANCES as per the CASH FLOW STATEMENT		13,809	5,217
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		19,308	12,916
Adjust for non cash items:			
Depreciation & Amortisation		15,372	12,885
Net Losses/(Gains) on Disposal of Assets		1,832	1,161
Non Cash Capital Grants and Contributions		(3,557)	(3,953)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		853	3,554
- Investment Properties		1,355	(1,081)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		488	214
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		5,302	(207)
Increase/(Decrease) in Provision for Doubtful Debts		(51)	70
Decrease/(Increase) in Inventories		(680)	(41)
Decrease/(Increase) in Other Current Assets		(681)	632
Increase/(Decrease) in Payables		(372)	4,924
Increase/(Decrease) in accrued Interest Payable		-	-
Increase/(Decrease) in other accrued Expenses Payable		98	276
Increase/(Decrease) in Other Current Liabilities		(189)	255
Increase/(Decrease) in Employee Leave Entitlements		510	286
Increase/(Decrease) in Other Provisions		-	181
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		39,588	32,072

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		159	1,075
Private Subdivisions		3,398	2,697
Total Non-Cash Investing & Financing Activities		3,557	3,772
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		260	260
Total Financing Arrangements		2,260	2,260
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		-	274
Plant & Equipment		986	375
Water Supply		22,081	15,277
Road Construction		255	3,093
Sewer		1,327	-
Total Commitments		24,649	19,019
These expenditures are payable as follows:			
Within the next year		20,272	19,019
Later than one year and not later than 5 years		4,377	-
Later than 5 years		-	-
Total Payable		24,649	19,019
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		1,330	1,496
Future Grants & Contributions		4,989	8,253
Unexpended Grants		961	-
Unexpended Loans		277	1,643
Restricted Water Funds		8,142	7,627
Bank loans		8,950	-
Total Sources of Funding		24,649	19,019
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management Services		13,433	13,152
Audit Services		148	175
Other		1,149	1,330
Total Commitments		14,730	14,657
These expenditures are payable as follows:			
Within the next year		4,317	4,072
Later than one year and not later than 5 years		10,413	10,585
Later than 5 years		-	-
Total Payable		14,730	14,657

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		-	21
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		-	21

b. Non Cancellable Operating Leases include the following assets:

Plant & Equipment.

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

Conditions relating to Operating Leases:

- All Operating Lease Agreement are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

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

Within the next year	235	470
Later than one year and not later than 5 years	705	966
Later than 5 years	-	-
Total Payable	940	1,436

(g) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 2008	2007
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	24,085	1.95 : 1	1.90	2.10
Current Liabilities less Specific Purpose Liabilities ^(2,3)	12,321			
2. Debt Service Ratio				
Debt Service Cost	6,480	9.62%	6.00%	6.00%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	67,333			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	42,103	45.03%	47.00%	47.00%
Revenue from Continuing Operations	93,503			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,404	3.22%	3.01%	2.83%
Rates, Annual & Extra Charges Collectible	43,660			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	4,646	41.55%	45.00%	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	11,181			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

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

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 13a. Statement of Performance Measurement - Graphs

\$ '000

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>2.10</td> </tr> <tr> <td>2008</td> <td>1.90</td> </tr> <tr> <td>2009</td> <td>1.95</td> </tr> </tbody> </table>	Year	Ratio : 1	2007	2.10	2008	1.90	2009	1.95	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 1.95 : 1</p> <p>After adjusting for funds subject to external restrictions, such as developer contributions, sewer, water & waste, the unrestricted current ratio(funds over which Council has discretion), has increased to 1.95:1(from 1.9:1 last year). This is within industry standards for this ratio. After further adjusting for internal restrictions i.e. funds which Council itself has restricted for specific purposes, the amount of the discretionary funds remaining is still positive.</p>
Year	Ratio : 1									
2007	2.10									
2008	1.90									
2009	1.95									
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>6.00%</td> </tr> <tr> <td>2008</td> <td>6.00%</td> </tr> <tr> <td>2009</td> <td>9.62%</td> </tr> </tbody> </table>	Year	Ratio %	2007	6.00%	2008	6.00%	2009	9.62%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 9.62%</p> <p>The debt servicing ratio reached a low point in 2007/08 and is now increasing in response to Councils' five year capital expenditure program.</p>
Year	Ratio %									
2007	6.00%									
2008	6.00%									
2009	9.62%									
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>47.00%</td> </tr> <tr> <td>2008</td> <td>47.00%</td> </tr> <tr> <td>2009</td> <td>45.03%</td> </tr> </tbody> </table>	Year	Ratio %	2007	47.00%	2008	47.00%	2009	45.03%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 45.03%</p> <p>The Rates & Annual Charges Coverage Ratio has reduced in response to increases in other income from major capital grants such as the Deep Creek Pipeline.</p>
Year	Ratio %									
2007	47.00%									
2008	47.00%									
2009	45.03%									
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>2.83%</td> </tr> <tr> <td>2008</td> <td>3.01%</td> </tr> <tr> <td>2009</td> <td>3.22%</td> </tr> </tbody> </table>	Year	Ratio %	2007	2.83%	2008	3.01%	2009	3.22%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2008/09 Result</p> <p>2008/09 Ratio 3.22%</p> <p>There has been a slight increase in the ratio as a result of the economic situation.</p>
Year	Ratio %									
2007	2.83%									
2008	3.01%									
2009	3.22%									

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 14. Investment Properties

\$ '000	Actual 2009	Actual 2008
(a) Investment Properties at Fair value		
<u>Investment Properties on Hand</u>	<u>1,600</u>	<u>2,955</u>
Reconciliation of Annual Movement:		
Opening Balance	2,955	2,000
- Net Gain/(Loss) from Fair Value Adjustments	(1,355)	955
CLOSING BALANCE - INVESTMENT PROPERTIES	<u>1,600</u>	<u>2,955</u>

(b) Valuation Basis

The basis of Valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2009 revaluations were based on Independent Assessments made by:
Terry Hanrahan (Valuations) of Batemans Bay.

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

There are no leasing arrangements.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk & (iv) interest rate risk.

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

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

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

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

	Carrying Value		Fair Value	
	2009	2008	2009	2008
Financial Assets				
Cash and Cash Equivalents	13,809	5,217	13,809	5,217
Investments				
- "Held for Trading"	8,762	13,736	8,762	13,736
- "Held to Maturity"	15,101	14,000	15,101	14,000
Receivables	5,157	10,422	5,157	10,422
Total Financial Assets	42,829	43,375	42,829	43,375
Financial Liabilities				
Payables	6,838	10,965	6,838	10,965
Loans / Advances	44,864	38,768	44,864	38,768
Total Financial Liabilities	51,702	49,733	51,702	49,733

Fair Value is determined as follows:

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Financial Section manages its Cash & Investments portfolio and is assisted by an independent advisor for investments in Floating Rate Notes and Collateral Debt Obligations.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2009				
Possible impact of a 10% movement in Market Values	818	818	(818)	(818)
Possible impact of a 1% movement in Interest Rates based on face value of investment	364	364	(364)	(364)
2008				
Possible impact of a 10% movement in Market Values	1,374	1,374	(1,374)	(1,374)
Possible impact of a 1% movement in Interest Rates based on face value of investment	357	357	(357)	(357)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,044	-	9,279
Past due by up to 30 days	-	342	-	113
Past due between 31 and 180 days	-	713	-	35
Past due between 181 and 365 days	1,051	-	947	-
Past due by more than 1 year	207	52	187	164
	<u>1,258</u>	<u>4,151</u>	<u>1,134</u>	<u>9,591</u>
(ii) Movement in Provision for Impairment of Receivables			2009	2008
Balance at the beginning of the year			303	233
+ new provisions recognised during the year			-	70
- previous impairment losses reversed			(51)	-
Balance at the end of the year			<u>252</u>	<u>303</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2009									
Trade/Other Payables	441	6,397	-	-	-	-	-	6,838	6,838
Loans & Advances	-	5,326	4,238	4,023	1,580	10,686	19,011	44,864	44,864
Total Financial Liabilities	441	11,723	4,238	4,023	1,580	10,686	19,011	51,702	51,702
2008									
Trade/Other Payables	592	10,373	-	-	-	-	-	10,965	10,965
Loans & Advances	-	3,904	4,973	3,861	3,619	1,144	21,267	38,768	38,768
Total Financial Liabilities	592	14,277	4,973	3,861	3,619	1,144	21,267	49,733	49,733

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

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

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	6,838	-	10,965	-
Loans & Advances - Fixed Interest Rate	44,864	7.1%	37,768	6.8%
Loans & Advances - Variable Interest Rate	-	-	1,000	8.1%
	<u>51,702</u>		<u>49,733</u>	

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 24th June 2008.

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

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

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

Note that for Variations: F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2009 Budget	2009 Actual	----- 2009 Variance* -----		
REVENUES					
Rates & Annual Charges	42,129	42,103	(26)	(0%)	U
User Charges & Fees	15,001	14,931	(70)	(0%)	U
Interest & Investment Revenue	1,818	809	(1,009)	(56%)	U
The write down to fair value of investments (including CDO's) of \$853k and lower than expected interest revenue as a result of the low interest rates through the year were responsible for the unfavourable variation.					
Other Revenues	957	1,991	1,034	108%	F
Favourable variations resulted from recycling of waste including recycled steel, commissions and sales from increased tourist numbers, regulatory fines associated with companion animals and car parking, legal fees recovery from outstanding rates, council vehicle lease back income and hire of halls and sporting facilities.					
Operating Grants & Contributions	9,234	13,854	4,620	50%	F
In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the original budget was adopted.					
The significant variations were:					
- Funding from the RTA was favourable for Block grants (\$400k) and Regional Roads Repair Program(\$125k);					
- Financial Assistance grants were \$1.5M favourable because quarter one 2009/10 payments were received in advance;					
- Environment grants were \$600k favourable & were mainly for land care & environmental protection projects;					
- Community Service grants were \$900k favourable and relate to Wallaga Lakes projects of \$186k, a hospital discharge program \$114k, Flexible respite packages for carers \$127k, and both a recurrent and a review program for community transport scheme totalling \$177k with the remainder being variations to recurrent funding across the many community service programs;					
- Other contributions were favourable by \$312k.					
Capital Grants & Contributions	18,639	19,815	1,176	6%	F

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	27,638	27,455	183	1%	F
Borrowing Costs	3,318	2,759	559	17%	F
Borrowing costs were less than originally budgeted for as a result of reduction in the amount borrowed in the 2007/08 year of \$31M.					
Materials & Contracts	20,777	18,086	2,691	13%	F
Materials & Contracts and Other Expenses are explained together under Other Expenses area below. The reason for this is that Council adjusts its mix of these costs as required to meet its overall objectives and outputs within budget.					
Depreciation & Amortisation	13,713	15,372	(1,659)	(12%)	U
Depreciation was higher than originally budgeted for due to the increase in valuations of water, sewer and building assets as a result of the revaluations undertaken in the previous year.					
Other Expenses	5,159	8,691	(3,532)	(68%)	U
This explanation also includes the unfavourable variation in Materials & Contracts for the reasons identified above.					
The net unfavourable variation for Materials & Contracts and Other Expenses is \$841k or 3%.					
Whilst overall the expenditure budgets were only insignificantly unfavourable, the following lists some major variations that were reported in the quarterly review process:					
<ul style="list-style-type: none"> -Fire Control savings due to supporting budgets not required this year (\$75k); -Unfavourable expenditure at the Batemans Bay Beach Resort due to operational & maintenance cost pressures (\$115k); -Additional contractor costs associated with street cleaning (\$20k); -Savings in litter collection contract as no variation to contracted services required this financial year (\$65k); -Insurance premiums unfavourable due to higher valuations and additional assets (\$100k); -Savings on cost of councillor election (\$20k); -Significant savings in the plant fund on operating costs (\$635k); -Savings in strategic unit projects that would have required consultants/contractors to undertake works (\$140k); -Additional grant funds as listed in the grant revenue lines above would require matching expenditure and this would require significant extra expenditure than originally budgeted for; -Water and sewer funds had significant savings in their maintenance programs; -Favourable variation for contractor costs associated with litter collection; -Gravel resheeting and general road maintenance program savings. 					
Net Losses from Disposal of Assets	-	1,832	(1,832)	0%	U
The original estimate did not allow for loss on sale of assets within the income statement. Further details on the loss from disposal of assets are disclosed in Note 5. This is largely attributed to the writeoff of obsolete sewer & water assets which are replaced during the year. The loss on disposal is not a cash cost and replacements were fully cash funded within overall budgets. A significant water asset written of was the Southern Dam project as explained below in Water Supplies.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	30,884	39,588	8,704	28.2%	F
The favourable variation is mainly due to:					
<ul style="list-style-type: none"> - Favourable grants receipts of \$7.8M relating to the reasons identified in Operating Grants & Contributions above but also the receipt of the Pipeline Commonwealth grant of \$3.9M in 2008/09 that was accounted for as a receivable in 2007/08; - Other Operating revenue was unfavourable by \$2.3M which apart from the reasons identified in Other Revenues is due to the net collection of \$1.3M of outstanding invoices; - Total Operating payments were only 1% unfavourable. 					
Cash Flows from Investing Activities	(55,678)	(37,092)	18,586	(33.4%)	F
The favourable variation is mainly due to:					
<ul style="list-style-type: none"> - Sale of Infrastructure, Property, Plant & Equipment was unfavourable to budget by \$956k; - The net purchase and sale of investments of \$2.8M are not typically budgeted for; - Purchase of Infrastructure, Property, Plant & Equipment is favourable by \$14.8M as a result of planned works not being completed or being deferred to future years and the effect of significant capital expenses carried out in 2007/08 but not paid for till 2008/09. 					
Cash Flows from Financing Activities	19,728	6,096	(13,632)	(69.1%)	U
The Unfavourable variation is due the the value of new loans drawn down being less than originally budgetted for by amendments to the capital program and utilising available cash.					
Budget Variations relating to Council's Operating Result by Functions include:					
Governance & Administration	(4,642)	170	4,812	(103.7%)	F
Governance & Admin. include costs allocated to other functions as recoveries of overhead corporate costs. Significant variations were:					
<ul style="list-style-type: none"> - Total corporate overhead recoveries were \$13.2M compared to a budget of \$10.1M resulting in a favourable variation of \$3.1M. Most of this related to a review of the methodology; - Plant Operating net costs were \$1.2M favourable as a result of over recoveries on the running costs of operating plant and to a lesser extent the favourable disposal of assets; - Workers Compensation costs were \$109k favourable. 					
Public Order & Safety	(1,344)	(1,261)	83	(6.2%)	F
Health	(269)	(226)	43	(16.0%)	F
Savings related to the reduction in share of overhead corporate costs in the Health Administration area.					
Community Services & Education	(1,187)	(982)	205	(17.3%)	F
Savings are a result of depreciation and reduction in share of overhead corporate costs.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*	-----	-----
Budget Variations relating to Council's Operating Result by Functions include:					
Housing & Community Amenities	(2,960)	(3,734)	(774)	26.1%	U
The significant variations were:					
<ul style="list-style-type: none"> - Environmental was \$531k unfavourable due to the dividend from Water & Sewer funds unable to be declared (\$335k), S94A funds were unable to be utilised on Estuary programs (\$100k) and increased contributions towards the overhead corporate costs; - Public amenities (stormwater drainage, public toilets & street cleaning) was unfavourable by \$415k; - Waste was balanced overall with favourable variations relating to recycling revenue and program savings offset by unfavourable depreciation expense. 					
Water Supplies	14,843	10,331	(4,512)	(30.4%)	U
The significant variations were:					
<ul style="list-style-type: none"> - Due to the low probability of the southern dam project proceeding in the foreseeable future, the costs of preliminary and investigative work to date has been written off (\$981k); - Capital Grants were unfavourable by \$4.6M due mainly to the carrying forward of budgets to later years for the Northern Water Treatment project (\$6.8M). This is offset by a transfer into this years budget from the previous of \$1.3M for the Pipeline project, the value of water assets gained from subdividers (\$591k) and favourable S64 developer contributions of \$310k; - Water User Charges fees were unfavourable by \$777k due to the community using less water; - Operation and maintenance savings across all the program areas such as mains, pump stations, treatment works etc of \$1.2M; - Dividend expense was a favourable variation as the Water fund was unable to declare a dividend to the General Fund 					
Sewerage Services	1,681	4,010	2,329	138.5%	F
The significant variations were:					
<ul style="list-style-type: none"> - Favourable capital grants for sewerage schemes at Wallaga Lakes and Bodalla communities (\$2.5M); - Favourable borrowing costs as a result of not borrowing in the previous year and low interest rates (\$371k); - The value of sewer assets gained from subdividers were \$502k favourable; - S64 developer contributions were \$120k favourable; - Operational savings of \$500k in Mains, Treatment works and from a surplus in the plant fund; - Dividend unable to be declared due to lack of profits and business sewer charging (\$311k); - Depreciation was unfavourable (\$1.3M) as a result of increased asset values due to previous years revaluation; - Loss on the disposal of replaced assets (\$495k). 					
Recreation & Culture	(4,884)	(5,800)	(916)	18.8%	U
The significant variations included:					
<ul style="list-style-type: none"> - Depreciation was unfavourable by \$491k; - Revaluation of investment property unfavourable by \$884k. 					
Mining, Manufacturing & Construction	(438)	(321)	117	(26.7%)	F
The building compliance area was favourable by \$117k as a result of revenue that was not as low as expected from the downturn in the building market (\$70k), savings in salaries and wages as a result of vacancies (\$27k) and savings in other recurrent costs of \$20k.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
Budget Variations relating to Council's Operating Result by Functions include:					
Transport & Communication	(7,246)	(5,091)	2,155	(29.7%)	F
The value of road assets gained from subdividers was \$1.9M and is not typically budgetted for.					
Economic Affairs	(969)	(1,990)	(1,021)	105.4%	U
The significant variations were:					
<ul style="list-style-type: none"> - Batemans Bay Beach Resort was unfavourable (\$310k). The main reasons were loss on disposal of replaced or upgraded facilities (\$200k), lower revenue and cost pressures producing an unfavourable operational result (\$190k), offset by lower borrowing costs of \$121k; - North Head camping ground was favourable (\$123k) due to increased takings (\$39k) and a grant received to improve the amenities facilities (\$100k); - Caravan parks were \$100k favourable as a result of increased revenue from renewal of lease agreements; - Visitor Information Centres were unfavourable by \$70k mainly due to wages overruns; - Unfavourable revaluation of investment property (\$458k) - Surf Beach Bulky goods site unfavourable variations of \$600k in lost lease rental revenue due to the agreement not going ahead. 					
General Purpose Income ¹	24,588	24,202	(386)	(1.6%)	U

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,662	261	-	30	(570)	-	1,383	1,469	(20,558)	(17,706)	-
Parking	523	-	-	12	-	368	167	-	-	167	368
Open Space	(86)	43	-	(8)	(317)	(368)	-	44	(7)	37	(368)
Community Facilities	54	3	-	1	-	12	46	3	-	49	12
Cycleways/Pedestrian	(19)	5	-	(1)	-	(15)	-	5	(2)	3	(15)
Administration	(7)	11	-	(1)	(37)	(34)	-	12	(53)	(41)	(34)
Waste Disposal	167	15	-	4	(32)	37	117	16	-	133	37
Bushfire Protection	50	-	-	2	-	-	52	-	(53)	(1)	-
S94 Contributions - under a Plan	2,344	338	-	39	(956)	-	1,765	1,549	(20,674)	(17,360)	-
S94A Levies - under a Plan	95	164	-	4	(83)	-	180				-
Total S94 Revenue Under Plans	2,439	502	-	43	(1,039)	-	1,945				-
S94 not under Plans	533	13	-	10	(74)	-	482	-	-	482	-
S93F Planning Agreements	-	-	-	-	-	-	-				-
S64 Contributions	3,716	1,547	-	103	(1,613)	-	3,753				-
Total Contributions	6,688	2,062	-	156	(2,726)	-	6,180	1,549	(20,674)	(16,878)	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan 2000 - 2005, **Open Space & Recreation**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Shire Wide	65	8	-	3	(61)	15	-	8	(7)	1	15
- Northern District	(1)	19	-	(2)	(132)	(116)	-	19	-	19	(116)
- Central District	(94)	15	-	(6)	(123)	(208)	-	15	-	15	(208)
- Southern District	(56)	1	-	(3)	(1)	(59)	-	2	-	2	(59)
Total	(86)	43	-	(8)	(317)	(368)	-	44	(7)	37	(368)

Contribution Plan 2000 - 2005, **Community Facilities**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Northern District	-	-	-	-	-	-	-	-	-	-	-
- Central District	25	-	-	1	-	12	14	-	-	14	12
- Southern District	29	3	-	-	-	-	32	3	-	35	-
Total	54	3	-	1	-	12	46	3	-	49	12

Contribution Plan 2000 - 2005, **Waste Disposal**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Shire Wide	167	15	-	4	(32)	37	117	16	-	133	37
Total	167	15	-	4	(32)	37	117	16	-	133	37

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan 2000 - 2005, **Cycleways & Pedestrian Facilities**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Northern District	(7)	1	-	-	-	(6)	-	2	-	2	(6)
- Central District	(14)	3	-	(1)	-	(12)	-	3	(1)	3	(12)
- Southern District	2	1	-	-	-	3	-	0	(2)	(1)	3
Total	(19)	5	-	(1)	-	(15)	-	5	(2)	3	(15)

Contribution Plan 2000 - 2005, **Administration**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Shire Wide	(7)	11	-	(1)	(37)	(34)	-	12	(53)	(41)	(34)
Total	(7)	11	-	(1)	(37)	(34)	-	12	(53)	(41)	(34)

Contribution Plan 2000 - 2005, **Car Parking**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Batemans Bay	327	-	-	7	-	334	-	-	-	-	334
- Moruya	100	-	-	3	-	34	69	-	-	69	34
- Narooma	96	-	-	2	-	-	98	-	-	98	-
- Central Tilba	-	-	-	-	-	-	-	-	-	-	-
Total	523	-	-	12	-	368	167	-	-	167	368

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLANContribution Plan 2000 - 2005, **Arterial Roads**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Arterial Roads	529	134	-	9	(538)	-	134	693	(14,990)	(14,163)	-
Total	529	134	-	9	(538)	-	134	693	(14,990)	(14,163)	-

Contribution Plan 2000 - 2005, **Local Roads**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Heffernan Place	47	-	-	1	-	-	48	117	(144)	21	-
Total	47	-	-	1	-	-	48	117	(144)	21	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan, Rural Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Area 1 - Nelligen West	13	7	-	-	-	-	20	31	(163)	(112)	-
Area 2A - NW Batemans Bay	279	-	-	6	-	-	285	-	(431)	(146)	-
Area 2B - Long Beach	44	2	-	1	-	-	47	14	(42)	19	-
Area 3B - Surf Beach/Malua Bay	-	-	-	-	-	-	-	-	(465)	(465)	-
Area 4 - Bimbimbi	(43)	18	-	(2)	-	(27)	-	93	(396)	(303)	(27)
Area 5 - Polwambra	89	33	-	1	-	27	96	171	(497)	(231)	27
Area 6 - Moruya	425	9	-	9	(32)	-	411	47	(890)	(432)	-
Area 7 - Congo/Bingi	75	30	-	1	-	-	106	155	(1,603)	(1,342)	-
Area 8 - South Narooma	99	10	-	2	-	-	111	53	(352)	(187)	-
Area 9 - Tilba	105	18	-	2	-	-	125	96	(587)	(366)	-
Total	1,086	127	-	20	(32)	-	1,201	659	(5,425)	(3,564)	-

Contribution Plan, Bushfire Services

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
- Northern District	8	-	-	1	-	-	9	-	(8)	1	-
- Central District	-	-	-	-	-	-	-	-	-	-	-
- Southern District	42	-	-	1	-	-	43	-	(45)	(2)	-
Total	50	-	-	2	-	-	52	-	(53)	(1)	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

S94A Levy Contributions Plan 2007

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Indirect Contributions	95	164	-	4	(83)	-	180	-	-	180	-
Total	95	164	-	4	(83)	-	180	-	-	180	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	97	13	-	1	(74)	-	37	-	-	37	-
Parking	388	-	-	8	-	-	396	-	-	396	-
Community Facilities	48	-	-	1	-	-	49	-	-	49	-
Total	533	13	-	10	(74)	-	482	-	-	482	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S64 Contributions

S64 Water Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water Fund	3,210	928	-	83	(1,479)	-	2,742	-	-	2,742	-
Total	3,210	928	-	83	(1,479)	-	2,742	-	-	2,742	-

S64 Sewer Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Sewer Fund	506	619	-	20	(134)	-	1,011	-	-	1,011	-
Total	506	619	-	20	(134)	-	1,011	-	-	1,011	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored defined benefit superannuation scheme, and makes contributions as determined by the Superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category and that member councils will need to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for defined contributions plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(iii) StateCover Limited

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

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

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other Guarantees

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED:**2. Other Liabilities****(i). Third Party Claims**

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

(iii) Workcover accident

The Council is subject to prosecution for a work place accident. It is not possible at balance date to reliably estimate what the outcome of that will be in terms of any fines that might be applied, legal costs and available insurance cover.

ASSETS NOT RECOGNISED:**(i) Land Under Roads**

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

(ii) Infringement Notices/Fines

Fines & penalty Income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Councils revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but updated infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to reliably determine the value of outstanding income.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		694,940	673,628
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	8,396
d. Net Operating Result for the Year		19,308	12,916
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		508	-
Balance at End of the Reporting Period		<u>714,756</u>	<u>694,940</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		175,227	167,294
Total		<u>175,227</u>	<u>167,294</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		167,294	8,396
- Revaluations for the year	9(a)	8,441	167,294
- Transfer to Retained Earnings for Assets Disposed of		(508)	-
- Other movements (Prior Period Revaluations reversed to Retained Earnings)		-	(8,396)
- Balance at End of Year		<u>175,227</u>	<u>167,294</u>
TOTAL VALUE OF RESERVES		<u>175,227</u>	<u>167,294</u>

(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
c. Correction of Error/s relating to a Previous Reporting Period			
Council has made the follow prior period adjustments:			
Buildings		(689)	-
Asset Revaluation Reserve		(689)	-
Retained Earnings		-	-

In 2007/08 Buildings were revalued by an independent valuer. During 2008/09 it was discovered that some buildings had been double counted in Councils asset register and other revaluation amounts had not been brought to account correctly. The effect was that as at 30 June 2008 Buildings were overstated by \$689k and the revaluation increment to the Asset Revaluation Reserve was overstated by the same amount. No Income Statement lines were affected. As a result the opening balances of Buildings and the Asset Revaluation Reserve were reduced by \$689k. There was no effect on Retained Earnings.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

d. Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	-	-	167	-
Total Non Current Assets "Held for Sale"	-	-	167	-
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>-</u>

(ii) Details of Assets & Disposal Groups

Land held for resale as at 30 June 2008 comprised two parcels of land that were on the market for sale during the year and were sold.

(iii) Disposal Group Liabilities**Disposal Group Related Liabilities "Held for Sale"**

Nil

\$ '000	Assets "Held for Sale"		Disposal Groups	
	2009	2008	2009	2008
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	167	145	-	-
less: Carrying Value of Assets/Operations Sold	(167)	-	-	-
plus New Transfer in:				
Costs associated with sale	-	22	-	-
Closing Balance of "Held for Sale" Non Current Assets & Operations	-	167	-	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2009, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 20th October 2009.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2009.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2009 and which are only indicative of conditions that arose after 30 June 2009.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant their recognition in the Financial Reports, including either internally generated and developed assets or purchased assets.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Brou, Surf Beach & Moruya Waste Management Facilities.

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2009	2008
Brou Waste Management Facility	2015-16	1,845	1,641
Surf Beach Waste Management Facility	2020-21	1,735	1,474
Moruya Waste Management Facility	2020-21	275	252
Balance at End of the Reporting Period	10	3,855	3,367

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	3,367	2,972
Effect of a change in discount rates used in PV calculations	303	181
Amortisation of discount (expensed to borrowing costs)	185	214
Total - Reinstatement, rehabilitation and restoration provision	3,855	3,367

Amount of Expected Reimbursements

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

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

Vulcan Street
Moruya NSW 2537

Contact Details
Mailing Address:

PO Box 99,
Moruya 2537

Telephone: 02 4474 1000

Facsimile: 02 4474 1234

Opening Hours

8:30am - 4:30pm

Internet: www.esc.nsw.gov.au

Email: council@eurocoast.nsw.gov.au

Officers
GENERAL MANAGER

PJ Anderson

RESPONSIBLE ACCOUNTING OFFICER

MS Craighead

PUBLIC OFFICER

CE McFarlane

AUDITORS

C Millington, Pitcher Partners NSW Pty Ltd

Elected Members
MAYOR

FD Thomson

COUNCILLORS

CP Vardon OAM (Deputy Mayor)

AJ Brown

LN Brown

KW Dance

C Kowal

AD Morton

RJ Pollock

GW Scobie

Other Information

ABN: 47504455945



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D W STAPLES
P G WESTON
D G YOUNG

CONSULTANTS
J S YOUNG
D G BARNSDALL
P S ROWE

EUROBODALLA SHIRE COUNCIL Independent Audit Report to the Council General Purpose Financial Report for the Year ended 30 June 2009

Report on the Financial Report

We have audited the general purpose financial report of Eurobodalla Shire Council for the financial year ended 30 June 2009 comprising the Statement by Councillors and Management, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statements and accompanying notes.

Council's Responsibilities for the Financial Report

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

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial report based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated income and expenditure in note 17, nor the attached Special Schedules.

We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Basis for Qualified Auditor's Opinion

At 30 June 2009, Eurobodalla Shire Council's investment portfolio totalled \$37.672 million and included CDO securities and other floating rate notes totalling \$7.688 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$7.688 million of Council's total investment portfolio or the impact of fair value movements in the income statement. The maximum impact on the operating surplus and net assets is the carrying amount of these investments as at 30 June 2008 (\$8.54 million), of which \$853k has already been recognised as a fair valuation movement in Note 3(c).

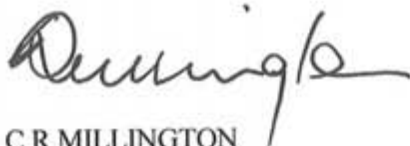
Qualified Audit Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the valuation of CDO investments:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2; and
- (b) the Council's general purpose financial report:
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position and the results of its operations;
 - (iv) is in accordance with Australian accounting standards and other professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that we have become aware of in the course of the audit.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 4 November 2009



PITCHER PARTNERS

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CONSULTANTS
J S YOUNG
D G BARNSDALE
P S ROWE

4 November 2009

The Mayor
Councillor Fergus Thomson
Eurobodalla Shire Council
PO Box 99
Moruya NSW 2537

Dear Councillor Thomson

REPORT ON THE CONDUCT OF THE AUDIT – Section 417(3) YEAR ENDED 30 JUNE 2009

In accordance with the requirements of the Department of Local Government, and the provisions of Section 417(3) of the Local Government Act, 1993, we provide the following comments arising from our conduct of the audit of Council's books, records, and financial statements for the 2009 year.

Audit Scope

Our audit, which was conducted to provide reasonable assurance of detecting material misstatements in the financial statements, accorded with Australian Auditing Standards and statutory requirements, and we:

- evaluated the accounting policies and significant accounting estimates used by the Council in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Council had failed in its reporting obligations.

Whilst the main objective of our audit is to express an opinion on the financial statements, and to provide comments on the conduct of the audit, our audit opinion is generally *not* intended to provide assurance:

- about the future viability of the Council,
- that it has carried out its activities effectively, efficiently and economically, or about the effectiveness of its internal controls.

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2009 resulted in modified independent audit report for Council's General Purpose Financial Report. The qualification is due to our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$7.688M of CDOs included in Council's total investment portfolio. Our audit of the Special Purpose Financial Report resulted in an unmodified audit opinion.

Additional Audit Considerations and Comment

The following comments are provided in accordance with Section 415(3) of the Local Government Act, 1993 and Clause 227 of the Local Government (General) Regulation 2005.

Income Statement

Operating Result. Council's operating surplus increased from \$12.916M in 2008 to \$19.308M in 2009. This compared with a budgeted surplus of \$17.173M for the year.

Operating Result before Capital. The operating result before Capital grants and contributions was a deficit of \$507K compared with a surplus of \$408K in 2008. This compared with the original budget deficit of \$1.466M.

Depreciation. Included in the operating result was \$15.372M for the depreciation and amortisation of assets which increased from \$12.885M in the prior year and compared with the original budget of \$13.713M.

Operating Grants and Contributions. Operating grants and contributions for the year totalled \$13.854M and represented 14.8% of total income from continuing operations. This compares with \$12.522M and 15.5% in 2008.

Capital Grants and Contributions . Capital grants and contributions amounted to \$19.815M for the 2009 year and represented 21.2% of total income from continuing operations. This compares with \$12.508M and 15.5% for the prior year.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$42.103M from \$39.497M in the prior year. This represented a 6.6% increase and was \$26K less than the original budget for 2009.

Balance sheet - Financial Position

Council's equity at 30 June 2009 amounted to \$889.983M and was increased by the net operating result for the year (\$19.308M surplus) and the net revaluation of water and sewer assets of \$8.441M.

The movement in non-current assets is due to the acquisition of property, plant and equipment (\$41.528M), revaluation of water and sewer assets (\$8.441M), disposals (\$3.090M) and depreciation (\$15.372M) of assets during the year.

The movement in non-current liabilities is due to the additional loan facility of \$10M drawn down during the year.

At balance date Council had not utilised any of its bank overdraft facility of \$2M.

Movements in Cash and Cash Equivalents

Council's cash and cash equivalent balances increased by \$8.592M during the year, with \$39.588M being provided from operations, \$37.092M utilised in investing activities for the acquisition and sale of non-current assets and \$6.096M provided from the net movement in loans.

Total Investments and Cash Balances

Council's total cash balance at 30 June 2009 was comprised of the following:

	2009 \$'000	2008 \$'000	Variance \$'000
Externally restricted cash	18,368	11,657	6,711
Internally restricted cash	4,371	5,449	(1,078)
Unrestricted cash	<u>14,933</u>	<u>15,847</u>	<u>(914)</u>
<i>Total Cash & Cash Equivalents</i>	<u>37,672</u>	<u>32,953</u>	<u>4,719</u>

Externally restricted cash balances increased as a result of the net increase in various reserves such as specific purpose unexpended loans, sewerage services and other waste services.

Internally restricted balances decreased mainly due to net movements in specific Council reserves as outlined on Note 6(c) such as unexpended general fund loans and the infrastructure fund.

As detailed in our statutory audit report, volatility and uncertainty in global financial markets since mid 2008 has had a substantial impact on the Council's investment portfolio. At 30 June 2009 Eurobodalla Shire Council's investment portfolio totalled \$37.672M which was comprised of managed funds, Collateralised Debt Obligations (CDOs), term deposits and cash and cash equivalents.

As a result of the impact on global financial markets, Council reduced the carrying value of its investments by \$853K which is disclosed as an investment loss in Note 3(c) to the financial statements.

Working Capital (Net Current Assets)

	2009 \$'000	2008 \$'000	Variance \$'000
Current assets	43,776	42,617	1,159
Current liabilities	<u>19,932</u>	<u>21,907</u>	<u>(1,975)</u>
Net current assets	23,844	20,710	3,134
Add: reclassified liabilities as per DLG	<u>3,994</u>	<u>3,477</u>	<u>517</u>
Adjusted net Current Assets	27,838	24,187	3,651
<i>Less: Commitments against working capital</i>			
Net external restrictions	<u>16,074</u>	<u>14,611</u>	<u>1,463</u>
<i>Unrestricted Working Capital</i>	<u>11,764</u>	<u>9,576</u>	<u>2,188</u>

Council's balance of net current assets has increased from \$20.710M in 2008 to \$23.844M at the end of the 2009 financial year.

Also included in net current assets are other commitments against the working capital balance which should be considered when assessing the adequacy or otherwise of Council's available (or uncommitted) working capital at 30 June 2009. The adjusted working capital after allowing for net external restrictions was \$11.764M (2008 - \$9.576M).

After taking into consideration Council's internal reserves, other liabilities that are anticipated to be funded from the 2009/10 operating budget and anticipated timing of rate revenues, the uncommitted working capital balance appears reasonable.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2009 year results with prior years.

Abridged Note 13 – Statement of Performance Measurement

	2009	2008	2007	2006
Unrestricted current ratio	1.95:1	1.9:1	2.1:1	1.47:1
Debt service ratio	9.62%	6%	6%	7%
Rate coverage ratio	45.03%	47%	47%	47%
Rates & annual charges outstanding ratio	3.22%	3.01%	2.83%	3.14%
Asset renewals ratio	0.4155:1	0.45:1	N/A	N/A

Unrestricted Current Ratio. The ratio is within industry guidelines and is just below the Department of Local Government benchmark of 2:1.

Debt Service Ratio. The debt service ratio has increased in line with recent loan raisings but remains marginally below the industry benchmark of 10%.

Rates and Annual Charges Coverage Ratio. Council's rates and annual charges revenue represented 45.03% of 2009 total revenue, which is consistent with prior years and indicates the stability of Council's operations.

Rates and Annual Charges Outstanding Percentage. The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 3.22%. This is a decline on prior years but remains well within the industry benchmark of 5%.

Asset Renewals Ratio. The ratio declined on the prior year and is below the industry guidelines of 1:1.

Progress with the recognition and valuation of roads and related infrastructure

A Project Team has been formed to identify and value roads and infrastructure. The Project Team includes the Asset Engineer, Council's Asset Accountant and the Asset Computer Systems officer to address the identification and valuation of infrastructure assets.

Council has drafted Asset Revaluation Project procedures and a detailed project plan has been developed to ensure the project is completed in a timely and efficient manner. Council has also prepared a detailed Asset Revaluation Methodology.

Legislative Compliance

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

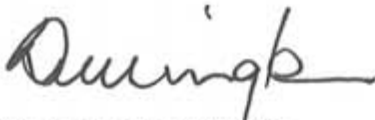
Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 17), and other legislatively prescribed standards.

Conduct of the audit

All matters arising during the conduct of our audit have been appropriately attended to and there are no matters of audit significance that require mention in this report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.

Yours faithfully
PITCHER PARTNERS



CARL MILLINGTON
Partner