

Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"Good Government, Better Living"



EUROBODALLA SHIRE COUNCIL

Good Government, better living

Eurobodalla Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover 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 these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 26/10/10.
Council has the power to amend and reissue the financial statements.
-

Eurobodalla Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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

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

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

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

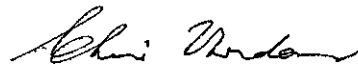
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 September 2010.



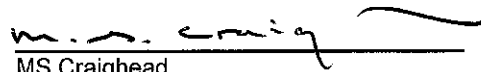
FD Thomson
MAYOR



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 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
<i>Revenue:</i>				
45,398	Rates & Annual Charges	3a	44,357	42,103
18,734	User Charges & Fees	3b	18,808	15,075
1,284	Interest & Investment Revenue	3c	5,179	809
996	Other Revenues	3d	3,096	1,847
11,935	Grants & Contributions provided for Operating Purposes	3e,f	12,565	13,854
12,284	Grants & Contributions provided for Capital Purposes	3e,f	9,923	19,815
90,631	Total Income from Continuing Operations		93,928	93,503
Expenses from Continuing Operations				
30,045	Employee Benefits & On-Costs	4a	27,959	27,455
3,435	Borrowing Costs	4b	3,141	2,759
23,132	Materials & Contracts	4c	21,156	18,086
18,523	Depreciation & Amortisation	4d	16,148	15,372
-	Impairment	4d	268	-
6,729	Other Expenses	4e	7,434	8,691
-	Net Losses from the Disposal of Assets	5	1,454	1,832
81,864	Total Expenses from Continuing Operations		77,560	74,195
8,767	Operating Result from Continuing Operations		16,368	19,308
8,767	Net Operating Result for the Year		16,368	19,308
(3,517)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		6,445	(507)

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

Eurobodalla Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		16,368	19,308
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	<u>235,177</u>	<u>8,441</u>
Total Other Comprehensive Income for the year		235,177	8,441
Total Comprehensive Income for the Year		<u>251,545</u>	<u>27,749</u>

Eurobodalla Shire Council

Balance Sheet

as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	15,959	13,809
Investments	6b	37,070	22,786
Receivables	7	9,019	5,002
Inventories	8	1,004	1,309
Other	8	175	870
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		63,227	43,776
Non-Current Assets			
Investments	6b	500	1,077
Receivables	7	133	155
Inventories	8	46	46
Infrastructure, Property, Plant & Equipment	9	1,160,072	906,842
Investment Property	14	1,637	1,600
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		1,162,388	909,720
TOTAL ASSETS		1,225,615	953,496
LIABILITIES			
Current Liabilities			
Payables	10	15,811	7,141
Borrowings	10	5,866	5,325
Provisions	10	8,163	7,466
Total Current Liabilities		29,840	19,932
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	51,973	39,539
Provisions	10	2,274	4,042
Total Non-Current Liabilities		54,247	43,581
TOTAL LIABILITIES		84,087	63,513
Net Assets		1,141,528	889,983
EQUITY			
Retained Earnings	20	731,306	714,756
Revaluation Reserves	20	410,222	175,227
Total Equity		1,141,528	889,983

Eurobodalla Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		714,756	175,227	889,983	-	889,983
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		714,756	175,227	889,983	-	889,983
c. Net Operating Result for the Year		16,368	-	16,368	-	16,368
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	235,177	235,177	-	235,177
Other Comprehensive Income		-	235,177	235,177	-	235,177
Total Comprehensive Income (c&d)		16,368	235,177	251,545	-	251,545
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		182	(182)	-	-	-
Equity - Balance at end of the reporting period		731,306	410,222	1,141,528	-	1,141,528

\$ '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)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		694,940	167,294	862,234	-	862,234
c. Net Operating Result for the Year		19,308	-	19,308	-	19,308
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	8,441	8,441	-	8,441
Other Comprehensive Income		-	8,441	8,441	-	8,441
Total Comprehensive Income (c&d)		19,308	8,441	27,749	-	27,749
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		508	(508)	-	-	-
Equity - Balance at end of the reporting period		714,756	175,227	889,983	-	889,983

Eurobodalla Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
Receipts:				
45,398	Rates & Annual Charges		44,451	41,979
18,734	User Charges & Fees		15,241	15,889
1,284	Investment & Interest Revenue Received		1,718	1,607
24,219	Grants & Contributions		22,612	35,470
996	Other		3,256	7,225
Payments:				
(30,045)	Employee Benefits & On-Costs		(27,228)	(27,150)
(23,132)	Materials & Contracts		(22,802)	(22,899)
(3,435)	Borrowing Costs		(3,030)	(2,271)
(6,729)	Other		(7,511)	(10,263)
27,290	Net Cash provided (or used in) Operating Activities	11b	26,707	39,588
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		17,097	19,300
4,546	Sale of Infrastructure, Property, Plant & Equipment		960	1,669
(6)	Deferred Debtors Receipts		23	14
Payments:				
-	Purchase of Investment Securities		(32,485)	(16,524)
(59,867)	Purchase of Infrastructure, Property, Plant & Equipment		(28,027)	(41,551)
-	Purchase of Real Estate Assets		(62)	-
(55,327)	Net Cash provided (or used in) Investing Activities		(42,494)	(37,092)
Cash Flows from Financing Activities				
Receipts:				
23,893	Proceeds from Borrowings & Advances		23,262	10,000
Payments:				
(5,481)	Repayment of Borrowings & Advances		(5,325)	(3,904)
18,412	Net Cash Flow provided (used in) Financing Activities		17,937	6,096
(9,625)	Net Increase/(Decrease) in Cash & Cash Equivalents		2,150	8,592
5,217	plus: Cash & Cash Equivalents - beginning of year	11a	13,809	5,217
(4,408)	Cash & Cash Equivalents - end of the year	11a	15,959	13,809
Additional Information:				
	plus: Investments on hand - end of year	6b	37,570	23,863
Total Cash, Cash Equivalents & Investments			53,529	37,672

Please refer to Note 11 for additional cash flow information.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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n/a - not applicable

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

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 these financial statements 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) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and (ii) all the related operating results (for the financial year ended the 30th June 2010).

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

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

(i) The Consolidated Fund

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

The Consolidated Fund and other entities through which the Council controls resources to carry on its

functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations
- Water Supply Fund
- Sewerage Fund
- Domestic & Non-Domestic Waste Funds
- Environment Fund
- Batemans Bay Children & Family Centre Committee
- Batemans Bay Rugby Grounds Committee
- Batemans Bay Sailing Complex Committee
- Batemans Bay Tennis Courts Committee
- Bodalla Hall Committee
- Broulee 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 statements.

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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.

(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 a Finance Lease or an Operating Lease.

Finance Leases

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

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets 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) Regulation 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 2010

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 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.

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)

The only remaining asset class that is to be revalued in a future reporting period is;

- **2010/11:** Community land, land improvements, other structures and other assets

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

Initial Recognition

On initial recognition, an asset's 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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation

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

Land is not depreciated.

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

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 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
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 75 years
- Flood Control Structures	80 to 100 years
Transportation Assets	
- Sealed Roads : Surface	11 to 18 years
- Sealed Roads : Structure	30 to 70 years
- Unsealed roads	70 years
- Bridge : Concrete	100 years
- Bridge : Other	10 to 40 years
- Road Pavements	30 to 50 years
- Kerb, Gutter & Paths	30 to 75 years
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
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Council has elected 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 review the recognition of 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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(m) Intangible Assets

IT Development and Software

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.

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.

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/6/2009.

(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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the disclosed as a borrowing cost in Note 4(b).

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

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the 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 Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

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

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(s) Impairment of assets

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$286 million at 30 June 2010.

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

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

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

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

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/10.

(y) Self insurance

Council does not self insure.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

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

Council is yet to assess its full impact.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor

issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Governance	2	8	3	747	526	691	(745)	(518)	(688)	(2)	40	6	-
Administration	263	711	432	2,955	390	(426)	(2,692)	321	858	-	-	63,803	52,232
Public Order & Safety	1,127	1,234	1,131	2,396	2,782	2,392	(1,269)	(1,548)	(1,261)	850	738	10,912	11,220
Health	156	112	84	470	424	218	(314)	(312)	(134)	-	-	-	-
Environment	9,747	10,906	157	10,223	10,529	249	(476)	377	(92)	645	768	67,207	38,184
Community Services & Education	3,690	5,046	4,696	4,866	6,303	5,678	(1,176)	(1,257)	(982)	3,718	3,538	90	93
Housing & Community Amenities	830	1,178	10,668	4,589	4,237	14,402	(3,759)	(3,059)	(3,734)	153	154	5,559	7,548
Water Supplies	19,531	16,318	20,501	12,891	9,848	10,170	6,640	6,470	10,331	2,381	7,841	203,646	185,877
Sewerage Services	16,774	17,906	16,935	15,284	12,841	12,925	1,490	5,065	4,010	186	3,502	186,458	171,990
Recreation & Culture	815	1,950	2,017	6,775	7,704	7,817	(5,960)	(5,754)	(5,800)	801	1,070	228,943	229,045
Mining, Manufacturing & Construction	617	681	570	872	816	891	(255)	(135)	(321)	-	-	220	237
Transport & Communication	5,027	8,256	7,466	10,724	15,363	12,557	(5,697)	(7,107)	(5,091)	902	1,017	393,070	191,176
Economic Affairs	7,112	4,445	4,270	8,543	5,712	6,260	(1,431)	(1,267)	(1,990)	-	100	65,701	65,894
Total Functions & Activities	65,691	68,751	68,930	81,335	77,475	73,824	(15,644)	(8,724)	(4,894)	9,634	18,768	1,225,615	953,496
General Purpose Income ¹	24,940	25,177	24,573	529	85	371	24,411	25,092	24,202	6,117	7,499	-	-
Operating Result from Continuing Operations	90,631	93,928	93,503	81,864	77,560	74,195	8,767	16,368	19,308	15,751	26,267	1,225,615	953,496

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, 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 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		15,418	14,815
Farmland		312	300
Business		3,018	2,877
Total Ordinary Rates		18,748	17,992
Special Rates			
Environmental		732	703
Total Special Rates		732	703
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		4,532	4,382
Stormwater Management Services		429	426
Water Supply Services		6,206	5,958
Sewerage Services		12,816	11,853
Waste Management Services (non-domestic)		894	789
Total Annual Charges		24,877	23,408
TOTAL RATES & ANNUAL CHARGES		44,357	42,103

Council has used 2008 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 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,549	4,996
Sewerage Services		177	-
Liquid Trade Waste		116	118
Total User Charges		5,842	5,114
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		687	638
Private Works - Section 67		324	406
Registration Fees		45	17
Section 149 Certificates (EPA Act)		759	622
Section 603 Certificates		88	69
Water Connection		189	158
Sewer Connection		27	15
Onsite Sewerage Management		162	179
Total Fees & Charges - Statutory/Regulatory		2,281	2,104
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Admission & Service Fees		27	48
Aerodrome		384	276
Caravan Park / Camping		2,425	2,204
Carparking Fees		94	104
Cemeteries		139	94
Community Service Programs		1,273	1,109
Landfill		1,909	1,605
Lease Rentals		1,234	1,120
Leaseback Fees - Council Vehicles		168	144
RTA Charges (State Roads not controlled by Council)		2,866	1,011
Other		166	142
Total Fees & Charges - Other		10,685	7,857
TOTAL USER CHARGES & FEES		18,808	15,075

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		147	152
- Interest earned on Investments (interest & coupon payment income)		1,790	1,510
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		761	(853)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		2,481	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>5,179</u>	<u>809</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		129	133
General Council Cash & Investments		1,525	268
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		173	48
- Section 64		318	103
Water Fund Operations		138	13
Sewerage Fund Operations		2,896	244
<u>Total Interest & Investment Revenue Recognised</u>		<u>5,179</u>	<u>809</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	37	-
Rental Income - Other Council Properties		350	301
Fines		226	243
Legal Fees Recovery - Rates & Charges (Extra Charges)		155	180
Commissions & Agency Fees		148	166
Insurance Claim Recoveries		320	1
Recycling Income (non domestic)		457	435
Sales - General		477	469
Remediation Remeasurement Adjustment		850	-
Other		76	52
<u>TOTAL OTHER REVENUE</u>		<u>3,096</u>	<u>1,847</u>

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,334	5,474	-	-
Financial Assistance - Local Roads Component	98	173	1,221	1,400
Pensioners' Rates Subsidies - General Component	464	452	-	-
Total General Purpose	4,896	6,099	1,221	1,400
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	195	191	-	-
- Sewerage	186	182	-	-
- Domestic Waste Management	157	153	-	-
Water Supplies	-	-	2,186	7,650
Sewerage Services	-	-	-	3,320
Bushfire & Emergency Services	662	520	325	226
Community Care	3,705	3,451	13	26
Environmental Protection	483	647	-	-
Heritage & Cultural	49	46	128	81
Library	-	-	141	-
Parks & Reserves	23	121	330	235
Street Lighting	47	46	-	-
Transport (Roads to Recovery)	230	639	492	-
Transport (Other Roads & Bridges Funding)	20	-	157	270
Other	39	74	66	890
Total Specific Purpose	5,796	6,070	3,838	12,698
Total Grants	10,692	12,169	5,059	14,098
Grant Revenue is attributable to:				
- Commonwealth Funding	956	3,037	2,879	8,690
- State Funding	9,639	9,065	2,159	5,340
- Other Funding	97	67	21	68
	10,692	12,169	5,059	14,098

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	16	12	535	342
S 94A - Fixed Development Consent Levies	-	-	218	164
S 64 - Water Supply Contributions	-	-	1,417	930
S 64 - Sewerage Service Contributions	-	-	1,151	619
Other Contributions - Subdivider Dedications	-	-	1,197	3,557
Total Developer Contributions	16	12	4,518	5,612
	17			
Other Contributions:				
Bushfire Services	3	-	122	-
Community Services	23	14	-	-
Drainage	-	-	12	-
Employment & Training Programs	59	103	-	-
Environment	-	27	-	-
Kerb & Gutter	28	57	-	-
Libraries	81	89	-	-
Parks & Recreation	34	81	-	-
Recreation & Culture	33	34	-	-
Roadworks	114	28	166	104
RTA Contributions (Regional/Local, Block Grant)	1,032	952	-	-
Sewerage (excl. Section 64 contributions)	-	145	-	-
Tourism	82	14	-	-
Water Supplies (excl. Section 64 contributions)	-	16	-	-
Waste Management	22	27	-	-
Other - Traffic Study	75	-	-	-
Other - SES flood works	112	-	-	-
Other - Boatramps, Wharves & Jetties	-	-	40	-
Other	159	86	6	1
Total Other Contributions	1,857	1,673	346	105
Total Contributions	1,873	1,685	4,864	5,717
TOTAL GRANTS & CONTRIBUTIONS	12,565	13,854	9,923	19,815

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2010	Actual 2009
(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	11,433	7,848
add: Grants and contributions recognised in the current period which have not been spent:	5,072	6,777
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(6,198)	(3,192)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(1,127)	3,585
Unexpended at the Close of this Reporting Period and held as Restricted Assets	10,306	11,433
Comprising:		
- Specific Purpose Unexpended Grants	4,349	5,253
- Developer Contributions	5,957	6,180
	10,306	11,433

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		20,182	20,045
Travelling		1,355	1,407
Employee Leave Entitlements (ELE)		4,112	4,180
Superannuation		3,151	2,288
Workers' Compensation Insurance		917	1,208
Fringe Benefit Tax (FBT)		152	172
Payroll Tax		314	307
Training Costs (other than Salaries & Wages)		546	443
Other		176	171
Total Employee Costs		30,905	30,221
less: Capitalised Costs		(2,946)	(2,766)
TOTAL EMPLOYEE COSTS EXPENSED		27,959	27,455
Number of "Equivalent Full Time" Employees at year end		428	445
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		3,030	2,574
Total Interest Bearing Liability Costs		3,030	2,574
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		3,030	2,574
(ii) Other Borrowing Costs			
- Remediation Liabilities	26	111	185
Total Other Borrowing Costs		111	185
TOTAL BORROWING COSTS EXPENSED		3,141	2,759

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		16,779	14,719
Contractor & Consultancy Costs		3,769	2,980
Auditors Remuneration			
i. Audit Services - Council's Auditor		45	62
ii. Other Services - Council's Auditor (Sewer Best Practice)		7	-
Legal Expenses:			
- Legal Expenses - Planning & Development		15	37
- Legal Expenses - Other		541	288
Total Materials & Contracts		21,156	18,086
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>21,156</u>	<u>18,086</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
Plant and Equipment		-	-	2,700	2,541
Office Equipment		-	-	351	349
Furniture & Fittings		-	-	136	128
Land Improvements (depreciable)		-	-	45	45
Buildings - Non Specialised		-	-	1,023	898
Buildings - Specialised		242	-	998	721
Other Structures		-	-	823	749
Infrastructure:					
- Roads, Bridges & Footpaths		26	-	2,885	2,811
- Stormwater Drainage		-	-	563	532
- Water Supply Network		-	-	2,495	2,474
- Sewerage Network		-	-	3,829	3,745
Other Assets					
- Library Books		-	-	213	215
- Other		-	-	51	69
Asset Reinstatement Costs	9 & 26	-	-	34	95
Total Depreciation & Impairment Costs		268	-	16,148	15,372
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>268</u>	<u>-</u>	<u>16,148</u>	<u>15,372</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		450	436
Bad & Doubtful Debts		39	(12)
Bank Charges / Cash Collection Expenses		233	226
Commissions		249	234
Community Care Outsourced		311	287
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		56	55
- NSW Rural Fire Service Levy		352	383
- Other Contributions/Levies		216	237
Councillor Expenses - Mayoral Fee		34	33
Councillor Expenses - Councillors' Fees		140	131
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		102	86
Donations, Contributions & Assistance to other organisations (Section 356)		235	219
Election Expenses		-	205
Electricity & Heating		1,907	1,703
Insurance		1,282	1,213
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	1,355
Street Lighting		378	451
Subscriptions & Publications		190	180
Telephone & Communications		708	701
Valuation Fees		122	112
Venue / Facility Hire		12	8
Other		418	448
Total Other Expenses		7,434	8,691
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>7,434</u>	<u>8,691</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		91	37
less: Carrying Amount of Property Assets Sold		(27)	(449)
Net Gain/(Loss) on Disposal		64	(412)
Plant & Equipment			
Proceeds from Disposal		869	1,417
less: Carrying Amount of P&E Assets Sold		(783)	(2,641)
Net Gain/(Loss) on Disposal		86	(1,224)
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(1,644)	-
Net Gain/(Loss) on Disposal		(1,644)	-
Financial Assets*			
Proceeds from Disposal		1,000	75
less: Carrying Amount of Financial Assets Sold / Redeemed		(960)	(319)
Net Gain/(Loss) on Disposal		40	(244)
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		-	215
less: Carrying Amount of "Held for Sale" Assets Sold		-	(167)
Net Gain/(Loss) on Disposal		-	48
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,454)	(1,832)
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		40	(244)
Net Gain/(Loss) on Disposal of Financial Instruments		40	(244)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		59	-	4,959	-
Cash-Equivalent Assets ¹					
- Deposits at Call		10,900	-	2,350	-
- Short Term Deposits		5,000	-	6,500	-
Total Cash & Cash Equivalents		15,959	-	13,809	-
Investment Securities (Note 6b)					
- Managed Funds		2,071	-	497	577
- Long Term Deposits		28,000	500	14,601	500
-CDO's and other FRN's ²		6,999	-	7,688	-
Total Investment Securities		37,070	500	22,786	1,077
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		53,029	500	36,595	1,077

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

² Structured Credit & Advisory Pty Ltd is providing independent valuations on Collateralised Debt Obligations (CDO's) & Floating Rate Notes (FRN's) for Council. The valuer used the mid market 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 \$3,128,500 (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"		15,959	-	13,809	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	9,070	-	8,185	577
b. "Held to Maturity"	6(b-ii)	28,000	500	14,601	500
Investments		37,070	500	22,786	1,077

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 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	8,185	577	13,151	585
Revaluations (through the Income Statement)	761	-	(853)	-
Additions	1,086	-	737	35
Disposals (sales & redemptions)	(1,540)	-	(4,850)	(43)
Transfers between Current/Non Current	577	(577)	-	-
Balance at End of Year	9,070	0	8,185	577
Comprising:				
- Managed Funds	2,071	-	497	577
- CDO's & other FRN's	6,999	-	7,688	-
Total	9,070	-	8,185	577
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	14,601	500	13,000	1,000
Additions	31,450	-	16,851	(500)
Disposals (sales & redemptions)	(18,051)	-	(15,250)	-
Balance at End of Year	28,000	500	14,601	500
Comprising:				
- Long Term Deposits	28,000	500	14,601	500
Total	28,000	500	14,601	500

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	53,029	500	36,595	1,077
attributable to:				
External Restrictions (refer below)	25,455	500	17,851	1,077
Internal Restrictions (refer below)	4,766	-	4,370	-
Unrestricted	22,808	-	14,374	-
	53,029	500	36,595	1,077

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	301	(196)	-	105
Specific Purpose Unexpended Loans-Sewer (A)	-	8,740	-	8,740
External Restrictions - Included in Liabilities	301	8,544	-	8,845

External Restrictions - Other

Developer Contributions - General (B)	2,427	942	(974)	2,395
Developer Contributions - Water Fund (B)	2,742	1,635	(2,591)	1,786
Developer Contributions - Sewer Fund (B)	1,011	1,364	(598)	1,776
Specific Purpose Unexpended Grants (C)	1,968	-	(540)	1,428
Specific Purpose Unexpended Grants (C) - Sewer Fund	3,285	-	(364)	2,921
Water Supplies (D)	1,185	188	-	1,373
Sewerage Services (D)	4,522	-	(1,367)	3,155
Domestic Waste Management (D)	267	12	-	279
Stormwater Management (D)	168	429	(490)	107
Other Waste Management	451	702	-	1,281
Crown Reserves	252	565	(499)	319
Tree Fund	44	4	(2)	45
Community Services Asset Replacement	46	-	-	46
Sinking Fund	259	12	(100)	171
Other Contributions	-	27	-	27
External Restrictions - Other	18,627	5,881	(7,525)	17,110
Total External Restrictions	18,928	14,425	(7,525)	25,955

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Infrastructure Replacement	134	3,183	(3,061)	256
Employees Leave Entitlement	1,108	76	-	1,184
Unexpended General Loan Funds	566	1,751	(2,033)	284
Works Income Equalisation Fund	1,892	1,760	(1,612)	2,040
Council Recreational Loan Pool	174	4	-	178
Gravel Pits	156	4	-	160
Airport Fund	174	(174)	-	-
Management Committees	135	166	(136)	165
Sports Liason Committee	13	38	-	51
Energy and Efficiency Fund	18	345	-	363
Interest Equalisation Fund	-	84	-	84
Total Internal Restrictions	4,370	7,237	(6,842)	4,766
TOTAL RESTRICTIONS	23,298	21,662	(14,366)	30,721

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants & contributions which are not yet expended for the purposes that they were obtained. (refer Note 1)
- D** 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 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,164	-	1,258	-
Interest & Extra Charges		170	-	171	-
User Charges & Fees		4,161	-	2,468	-
Accrued Revenues					
- Interest on Investments		326	-	106	-
- Other Income Accruals		1,056	-	258	-
Government Grants & Subsidies		664	-	869	-
Deferred Debtors		7	133	8	155
Net GST Receivable		1,745	-	115	-
Other Debtors		5	-	1	-
Total		9,298	133	5,254	155
less: Provision for Impairment					
Rates & Annual Charges		(25)	-	(25)	-
User Charges & Fees		(254)	-	(227)	-
Total Provision for Impairment - Receivables		(279)	-	(252)	-
<u>TOTAL NET RECEIVABLES</u>		<u>9,019</u>	<u>133</u>	<u>5,002</u>	<u>155</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		-	-	31	-
- Other		1,852	-	1,650	-
Sewerage Services					
- Other		51	-	-	-
Other					
- Other Specific Purpose Grants		214	-	343	-
Total External Restrictions		2,117	-	2,024	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		6,902	133	2,978	155
TOTAL NET RECEIVABLES		9,019	133	5,002	155

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 9.00% (2009 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 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		62	46	-	46
Stores & Materials		942	-	1,309	-
Total Inventories		1,004	46	1,309	46
Other Assets					
Prepayments		121	-	839	-
Work In Progress - Private Works		54	-	31	-
Total Other Assets		175	-	870	-
<u>TOTAL INVENTORIES & OTHER ASSETS</u>		<u>1,179</u>	<u>46</u>	<u>2,179</u>	<u>46</u>
Details for Real Estate Development					
Residential		-	46	-	46
Industrial/Commercial		62	-	-	-
Total Real Estate for Resale		62	46	-	46
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		62	13	-	13
Development Costs		-	18	-	18
Other Holding Costs		-	15	-	15
Total Real Estate for Resale		62	46	-	46
Movements:					
Real Estate assets at beginning of the year		-	46	-	46
- Purchases and other costs		62	-	-	-
Total Real Estate for Resale		62	46	-	46
(i) Externally Restricted Assets					
Water					
Stores & Materials		64	-	376	-
Prepayments		9	-	-	-
Total Water		73	-	376	-
Total Externally Restricted Assets		73	-	376	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,106	46	1,803	46
TOTAL INVENTORIES & OTHER ASSETS		1,179	46	2,179	46

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009					Asset Movements during the Reporting Period					as at 30/6/2010				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	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	43,733	-	-	-	43,733	(14,585)	-	-	-	-	29,148	-	-	-	29,148
Plant & Equipment	-	27,964	15,806	-	12,158	3,428	(717)	(2,700)	-	-	-	29,775	17,606	-	12,169
Office Equipment	-	4,801	3,700	-	1,101	416	(12)	(351)	-	-	-	5,158	4,004	-	1,154
Furniture & Fittings	-	2,035	1,202	-	833	146	-	(136)	-	-	-	2,182	1,339	-	843
Land:															
- Operational Land	-	56,491	-	-	56,491	308	(54)	-	-	-	-	56,744	-	-	56,744
- Community Land	194,821	-	-	-	194,821	-	-	-	-	-	-	194,821	-	-	194,821
- Land under Roads (pre 1/7/08)	8,758	-	-	-	8,758	-	-	-	-	-	-	8,758	-	-	8,758
- Land under Roads (post 30/6/08)	75	-	-	-	75	101	-	-	-	-	-	175	-	-	175
Land Improvements - non depreciable	2,117	-	-	-	2,117	190	-	-	-	-	-	2,307	-	-	2,307
Land Improvements - depreciable	3,881	-	409	-	3,472	833	-	(45)	-	-	-	4,714	455	-	4,259
Buildings - Non Specialised	-	54,665	14,219	-	40,446	276	-	(1,023)	-	-	-	54,940	15,242	-	39,699
Buildings - Specialised	-	48,478	14,716	-	33,762	1,126	(27)	(998)	(242)	-	-	49,298	15,677	-	33,622
Other Structures	24,924	2,789	9,260	-	18,453	2,688	-	(823)	-	-	30,271	-	9,953	-	20,319
Infrastructure:															
- Roads, Bridges, Footpaths	275,932	-	109,618	-	166,314	6,669	(986)	(2,885)	(26)	192,955	-	495,451	133,410	-	362,041
- Stormwater Drainage	39,389	-	11,732	-	27,657	1,105	-	(563)	-	33,622	-	92,447	30,626	-	61,821
- Water Supply Network	-	216,799	73,288	-	143,511	31,871	(512)	(2,495)	-	4,215	-	253,846	77,256	-	176,590
- Sewerage Network	-	242,699	92,564	-	150,135	3,180	(146)	(3,829)	-	4,385	-	252,742	99,018	-	153,724
Other Assets:															
- Library Books	1,467	-	843	-	624	196	-	(213)	-	-	1,260	-	653	-	607
- Other	2,226	-	976	-	1,250	37	-	(51)	-	-	2,191	-	956	-	1,235
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Tip Asset	3,044	-	1,913	-	1,131	(1,062)	-	(34)	-	-	206	-	172	-	34
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	600,367	656,721	350,246	-	906,842	36,922	(2,454)	(16,148)	(268)	235,177	63,076	1,503,359	406,364	-	1,160,072

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000 Class of Asset	Actual 2010				Actual 2009			
	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	4,705	-	3,325	1,380	4,458	-	3,104	1,354
Office Equipment	59	-	20	39	20	-	18	2
Furniture & Fittings	6	-	5	1	6	-	5	1
Land								
- Operational Land	-	1,727	-	1,727	-	1,727	-	1,727
- Community Land	-	70	-	70	-	70	-	70
Buildings	-	2,242	797	1,445	-	2,242	764	1,478
Other Structures	127	-	20	107	127	-	17	110
Infrastructure	-	253,846	77,258	176,588	-	216,798	73,288	143,510
WIP)	17,091	-	59	17,032	31,695	-	54	31,641
Total Water Supply	21,988	257,885	81,484	198,389	36,306	220,837	77,250	179,893
Sewerage Services								
Plant & Equipment	1,470	-	960	510	1,353	-	870	483
Office Equipment	151	-	76	75	105	-	60	45
Furniture & Fittings	17	-	15	2	17	-	15	2
Land								
- Operational Land	-	2,855	-	2,855	-	2,855	-	2,855
- Community Land	-	15	-	15	-	15	-	15
Buildings	-	2,855	895	1,960	-	2,790	851	1,939
Other Structures	225	-	25	200	225	-	16	209
Infrastructure	-	252,742	99,018	153,724	-	242,699	92,564	150,135
WIP)	10,580	-	106	10,474	7,589	-	100	7,489
Total Sewerage Services	12,443	258,467	101,095	169,815	9,289	248,359	94,476	163,172
Domestic Waste Management								
Plant & Equipment	1,790	-	391	1,399	1,782	-	255	1,527
Office Equipment	16	-	10	6	16	-	9	7
Furniture & Fittings	5	-	4	1	5	-	4	1
Land								
- Operational Land	-	4,480	-	4,480	-	4,393	-	4,393
- Improvements - depreciable	215	-	30	185	215	-	27	188
Buildings	-	829	320	509	-	824	292	532
Other Structures	2,290	-	755	1,535	2,051	-	599	1,452
Other Assets (incl.WIP)	507	-	286	221	1,901	-	298	1,603
Total DWM	4,823	5,309	1,796	8,336	5,970	5,217	1,484	9,703
TOTAL RESTRICTED I,PP&E	39,254	521,661	184,375	376,540	51,565	474,413	173,210	352,768

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

\$ '000	Notes	Actual 2010	Actual 2009
(i) Impairment Losses recognised in the Income Statement			
- Road and bridges assets affected by floods		(26)	-
- Buildings assets affected by white ants (Kyla Park Hall)		(242)	-
Total Impairment Losses		(268)	-
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES)</u>		<u>(268)</u>	<u>-</u>

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,043	-	2,855	-
Goods & Services - capital expenditure		11,080	-	2,320	-
Payments Received In Advance		320	-	303	-
Accrued Expenses:					
- Other Expenditure Accruals		918	-	1,185	-
Security Bonds, Deposits & Retentions		418	-	441	-
Other		32	-	37	-
Total Payables		15,811	-	7,141	-
Borrowings					
Loans - Secured ¹		5,866	51,973	5,325	39,539
Total Borrowings		5,866	51,973	5,325	39,539
Provisions					
Employee Benefits;					
Annual Leave		3,177	-	3,056	-
Sick Leave		-	-	26	-
Long Service Leave		4,986	221	4,384	187
Sub Total - Aggregate Employee Benefits		8,163	221	7,466	187
Asset Remediation/Restoration (Future Works) ²⁶		-	2,053	-	3,855
Total Provisions		8,163	2,274	7,466	4,042
Total Payables, Borrowings & Provisions		29,840	54,247	19,932	43,581

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	550	3,997	304	6,345
Water	406	7,174	190	307
Sewer	2,238	15,647	3,123	9,398
Liabilities relating to externally restricted assets	3,194	26,818	3,617	16,050
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	3,194	26,818	3,617	16,050

^{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 2010

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

\$ '000	2010	2009
(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	4,545	3,994
	<u>4,545</u>	<u>3,994</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,056	2,452	(2,331)	-	-	3,177
Sick Leave	26	-	(26)	-	-	-
Long Service Leave	4,571	1,055	(419)	-	-	5,207
Asset Remediation	3,855	(1,913)	-	111	-	2,053
TOTAL	11,508	1,594	(2,776)	111	-	10,437

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 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	15,959	13,809
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		15,959	13,809
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		16,368	19,308
Adjust for non cash items:			
Depreciation & Amortisation		16,148	15,372
Net Losses/(Gains) on Disposal of Assets		1,454	1,832
Non Cash Capital Grants and Contributions		(1,197)	(3,557)
Impairment Losses Recognition - I,PP&E		268	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(761)	853
- Investment Properties		(37)	1,355
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)		(2,481)	-
- Remediation remeasurement adjustment		1,062	-
Unwinding of Discount Rates on Reinstatement Provisions		111	488
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,045)	5,302
Increase/(Decrease) in Provision for Doubtful Debts		27	(51)
Decrease/(Increase) in Inventories		367	(680)
Decrease/(Increase) in Other Current Assets		695	(681)
Increase/(Decrease) in Payables		188	(372)
Increase/(Decrease) in other accrued Expenses Payable		(267)	98
Increase/(Decrease) in Other Current Liabilities		(11)	(189)
Increase/(Decrease) in Employee Leave Entitlements		731	510
Increase/(Decrease) in Other Provisions		(1,913)	-
NET CASH PROVIDED FROM/(USED IN)		26,707	39,588
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		26,707	39,588

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		-	159
Private Subdivisions		1,197	3,398
Remeasurement adjustment of remediation assets		(1,062)	-
Total Non-Cash Investing & Financing Activities		135	3,557
(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		500	260
Total Financing Arrangements		2,500	2,260

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Council has not made use of this facility at 30 June 2010.

(ii) Secured Loan Liabilities

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(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		43	-
Plant & Equipment		-	986
Water Supply		7,692	22,081
Road Construction		-	255
Sewer		4,797	1,327
Total Commitments		12,532	24,649
These expenditures are payable as follows:			
Within the next year		12,532	20,272
Later than one year and not later than 5 years		-	4,377
Later than 5 years		-	-
Total Payable		12,532	24,649
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	1,330
Future Grants & Contributions		2,846	4,989
Unexpended Grants		88	961
Unexpended Loans		2,945	277
Restricted Water Funds		4,853	8,142
Bank Loans		1,800	8,950
Total Sources of Funding		12,532	24,649
(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		6,782	13,433
Cleaning Services		292	-
Audit Services		114	148
Other		304	1,149
Total Commitments		7,492	14,730
These expenditures are payable as follows:			
Within the next year		3,671	4,317
Later than one year and not later than 5 years		3,821	10,413
Later than 5 years		-	-
Total Payable		7,492	14,730

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(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		254	235
Later than one year and not later than 5 years		502	705
Later than 5 years		-	-
Total Payable		756	940

(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 2010

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

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 2009 2008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	35,582	1.61 : 1	1.95	1.90
Current Liabilities less Specific Purpose Liabilities ^(2,3)	22,101			
2. Debt Service Ratio				
Debt Service Cost	8,257	10.65%	9.62%	6.00%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	77,557			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	44,357	47.22%	45.03%	47.00%
Revenue from Continuing Operations	93,928			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,309	2.84%	3.22%	3.01%
Rates, Annual & Extra Charges Collectible	46,063			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	6,109	47.41%	41.55%	45.00%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	12,884			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '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>2.1</td> </tr> <tr> <td>2008</td> <td>1.90</td> </tr> <tr> <td>2009</td> <td>1.95</td> </tr> <tr> <td>2010</td> <td>1.61</td> </tr> </tbody> </table>	Year	Ratio : 1	2007	2.1	2008	1.90	2009	1.95	2010	1.61	<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 2009/10 Result</p> <p>2009/10 Ratio 1.61 : 1</p> <p>Represents a decrease but remains well inside Local Government requirements.</p>
Year	Ratio : 1											
2007	2.1											
2008	1.90											
2009	1.95											
2010	1.61											
<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> <tr> <td>2010</td> <td>10.65%</td> </tr> </tbody> </table>	Year	Ratio %	2007	6.00%	2008	6.00%	2009	9.62%	2010	10.65%	<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 2009/10 Result</p> <p>2009/10 Ratio 10.65%</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%											
2010	10.65%											
<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> <tr> <td>2010</td> <td>47.22%</td> </tr> </tbody> </table>	Year	Ratio %	2007	47.00%	2008	47.00%	2009	45.03%	2010	47.22%	<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 2009/10 Result</p> <p>2009/10 Ratio 47.22%</p> <p>The Rates & Annual Charges Coverage Ratio has returned to normal levels after the decrease in 2008/09 that were the result of 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%											
2010	47.22%											
<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> <tr> <td>2010</td> <td>2.84%</td> </tr> </tbody> </table>	Year	Ratio %	2007	2.83%	2008	3.01%	2009	3.22%	2010	2.84%	<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 2009/10 Result</p> <p>2009/10 Ratio 2.84%</p> <p>Improved ratio as a result of succesful recovery actions.</p>
Year	Ratio %											
2007	2.83%											
2008	3.01%											
2009	3.22%											
2010	2.84%											

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 14. Investment Properties

\$ '000	Notes	Actual 2010	Actual 2009
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,637</u>	<u>1,600</u>
Reconciliation of Annual Movement:			
Opening Balance		1,600	2,955
- Net Gain/(Loss) from Fair Value Adjustments		37	(1,355)
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,637</u>	<u>1,600</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 2010 revaluations were based on an indexation factor of 3%, with the last valuation completed in 2009 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 2010

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	15,959	13,809	15,959	13,809
Investments				
- "Held for Trading"	9,070	8,762	9,070	8,762
- "Held to Maturity"	28,500	15,101	28,500	15,101
Receivables	9,152	5,157	9,152	5,157
Total Financial Assets	62,681	42,829	62,681	42,829
Financial Liabilities				
Payables	15,491	6,838	15,491	6,838
Loans / Advances	57,839	44,864	57,839	44,864
Total Financial Liabilities	73,330	51,702	73,330	51,702

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 (in active markets for identical investments) at the reporting date or independent valuation.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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 specified Australian Banks & State Government Managed Funds.

Council also seeks policy and strategic advice from independent advisers before placing funds in Investments.

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.

2010	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	907	907	(907)	(907)
Possible impact of a 1% movement in Interest Rates	563	563	(563)	(563)
2009				
Possible impact of a 10% movement in Market Values	818	818	(818)	(818)
Possible impact of a 1% movement in Interest Rates	364	364	(364)	(364)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 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:

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	7,801	-	3,044
Past due by up to 30 days	-	108	-	342
Past due between 31 and 180 days	-	153	-	713
Past due between 181 and 365 days	907	89	1,051	-
Past due by more than 1 year	257	116	207	52
	1,164	8,267	1,258	4,151
(ii) Movement in Provision for Impairment of Receivables			2010	2009
Balance at the beginning of the year			252	303
+ new provisions recognised during the year			27	-
- previous impairment losses reversed			-	(51)
Balance at the end of the year			279	252

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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			
2010									
Trade/Other Payables	418	15,066						15,484	15,491
Loans & Advances	-	5,866	7,226	3,120	12,226	10,491	21,391	60,320	57,839
Total Financial Liabilities	418	20,932	7,226	3,120	12,226	10,491	21,391	75,804	73,330
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

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	15,491	0.0%	6,838	0.0%
Loans & Advances - Fixed Interest Rate	48,549	6.7%	44,864	6.8%
Loans & Advances - Variable Interest Rate	3,081	6.2%	-	0.0%
Loans & Advances - Interest Free	6,209	0.0%	-	0.0%
	<u>73,330</u>		<u>51,702</u>	

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 16 June 2009.

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	2010 Budget	2010 Actual	2010 Variance*		
REVENUES					
Rates & Annual Charges	45,398	44,357	(1,041)	(2%)	U
Unfavourable variance is due to the unsuccessful special rates variation request to the Department of Local Government.					
User Charges & Fees	18,734	18,808	74	0%	F
Interest & Investment Revenue	1,284	5,179	3,895	303%	F
A premium of \$2.5m was recognised on an interest free loan of \$8.7M received this year and the revaluation of certain investments (mainly CDO's and FRN's) resulted in a favourable revaluation increment of \$801k. These transactions were not budgeted for. In addition, interest revenue was favourable as a result of higher interest rates and favourable cash flow timing.					
Other Revenues	996	3,096	2,100	211%	F
Favourable variations included a work cover insurance settlement, recycling of waste including recycled steel, commissions and sales from visitor information centres, regulatory fines associated with car parking, legal fees recovery from outstanding rates and hire of halls and sporting facilities.					
Operating Grants & Contributions	11,935	12,565	630	5%	F
Capital Grants & Contributions	12,284	9,923	(2,361)	(19%)	U
Unfavourable as a result of the deferral for small towns (Bodalla, Rosedale/Guerilla Bay) sewer capital projects due to approvals deferred or not yet received from the State Government and water treatment plants due to revised timing of both the northern and southern plant projects. This is offset by favourable developer contributions as a result of increased development activity and subdivider dedications which are typically not budgeted for.					

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance* -----	-----	
EXPENSES					
Employee Benefits & On-Costs	30,045	27,959	2,086	7%	F
The favourable result is due to the effects of the staff freeze as a result of the unsuccessful special rates variation, reduced workers compensation premium (improved safety) offsetting additional superannuation expenses.					
Borrowing Costs	3,435	3,141	294	9%	F
Favourable variation due to reduction in 2008/09 borrowing partially offset by higher market interest rates against a lower budget interest rate.					
Depreciation & Amortisation	18,523	16,148	2,375	13%	F
Depreciation was lower than originally budgeted. In plant operations there was a change in the accounting treatment of the residual value. In water and sewer there has been deferment of the capital program for some projects.					
Impairment Expenses	-	268	(268)	0%	U
The impairment of buildings, roads and bridges was due to unforeseeable events and thus not budgeted for.					
Materials & Contracts/Other Expenses	29,861	28,590	1,271	4%	F
Materials & Contracts and Other Expenses are explained together. The reason for this is that Council adjusts its mix of these costs as required to meet its overall objectives and outputs within budget.					
Net Losses from Disposal of Assets	-	1,454	(1,454)	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 write-of for roads & bridges assets as a result of the flood events and 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.					

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	27,290	26,707	(583)	(2.1%)	U
Cash Flows from Investing Activities	(55,327)	(42,494)	12,833	(23.2%)	F
<ul style="list-style-type: none"> - Purchase of Infrastructure, Property, Plant & Equipment is favourable by \$31.8M as a result of planned works, mainly for small towns sewer schemes and water treatment plants, not being completed or being deferred to future years and the effect of significant capital expenses carried out in 2009/10 but not paid for till 2010/11. - Sale of Infrastructure, Property, Plant & Equipment was unfavourable by \$3.6m due to the sale of surplus Council land (including Surf Beach Bulky Goods Site) not proceeding as expected. - The net increase of investments (\$15.4m) was not budgetted for. 					
Cash Flows from Financing Activities	18,412	17,937	(475)	(2.6%)	U
Budget Variations relating to Council's Operating Result by Functions include:					
Governance & Administration	(3,437)	(197)	3,240	(94.3%)	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 support recoveries were \$13.2M compared to a budget of \$13.4M resulting in an unfavourable variation of \$157k. - Plant Operating net costs were \$1.5M favourable as a result of additional recoveries on the running costs of operating plant and to a lesser extent the favourable disposal of assets; - Remuneration savings of \$1.5M due to the effects of the staff freeze and lower than anticipated workers compensation premium. 					
Public Order & Safety	(1,269)	(1,548)	(279)	22.0%	U
Unfavourable variation is the result of adjustments and carry forwards of capital grant budgets for the RFS capital projects (Mogo Training Centre and fire sheds at Mogo and Tilba) .					
Health	(314)	(312)	2	(0.6%)	F

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance*	
Budget Variations relating to Council's Operating Result by Functions include (continued):				
Environment	(476)	377	853	(179.2%) F
Significant savings in the Waste Fund due to favourable steel recycling income was offset by the unsuccessful rate variation impacting on special rates revenue in the Environment Fund.				
Community Services & Education	(1,176)	(1,257)	(81)	6.9% U
Housing & Community Amenities	(3,759)	(3,059)	700	(18.6%) F
Favourable development assessment income of \$250k due to the turn around in development activity and savings of \$100k in salaries due to staff vacancies in this planning and development unit. Savings of \$135k in street lighting due to the IPART decision on prices & deferral of lighting upgrades. Savings in net costs of \$110k for the Batemans Bay foreshore project due to lower than anticipated depreciation charges as a result of changes to the timing of the project and a contribution of \$23k for the relocation of the RSL honour stone.				
Water Supplies	6,640	6,470	(170)	(2.6%) U
Sewerage Services	1,490	5,065	3,575	239.9% F
The significant variations were:				
<ul style="list-style-type: none"> - Interest revenue premium of \$2.48M on the interest free loan for the Batemans Bay Treatment Plant Upgrade. - Favourable borrowing costs as a result of low borrowing in the previous two years (\$193k); - The value of sewer assets gained from subdividers were \$437k favourable; - S64 developer contributions were \$500k favourable; - Operational savings of \$1.3M in Pumping Stations, Mains, Treatment works and plant fund recoveries; - Depreciation was favourable by \$931k mainly as a result of deferred capital projects; - Savings in management and indirect costs of \$140k; - Savings from integrated water cycle management strategy being pushed out to 2010-11 (\$85k); - Unfavourable variance from deferral of small towns sewer projects awaiting state government approval reduces capital grants (pushed out to future years (\$2.68M)). 				
Recreation & Culture	(5,960)	(5,754)	206	(3.5%) F
Mining, Manufacturing & Construction	(255)	(135)	120	(47.1%) F
The building compliance area was favourable due to revenue that exceeded the low target expected from the downturn in the building market and savings in salaries and wages as a result of vacancies.				

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 ----- Variance* -----		
Budget Variations relating to Council's Operating Result by Functions include (continued):					
Transport & Communication	(5,697)	(7,107)	(1,410)	24.7%	U
The major unfavourable variance related to capital contributions associated with the Vesper Street service lane now not expected till 2010-11 when the works will be carried out. This was offset by favourable variations for subdivider dedications and developer contributions, savings in the bridges maintenance program, grants and contributions for the various cycleways programs and additional RTA block and regional road repairs funding.					
Economic Affairs	(1,431)	(1,267)	164	(11.5%)	F
There were favourable variations for increased takings at camping grounds, leases associated with Council land, contributions for purchase of land relating to road reserves and tourism (promotions and visitor information centres) came in under budget as a result of favourable income, restructured staffing hours and project rationalisation. This was offset by an unfavourable variance for the Batemans Bay Beach Resort.					
General Purpose Income ¹	24,411	25,092	681	2.8%	F

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	1,383	391	-	98	(357)	-	1,515	5,156	(6,671)	-	-
Parking	535	32	-	34	(74)	(429)	98	16	(543)	(429)	429
Open Space	(368)	61	-	(15)	(29)	351	-	23	(7)	16	(351)
Community Facilities	58	2	-	4	-	-	64	3	-	67	-
Cycleways / Pedestrian	(15)	7	-	-	-	8	-	3	(3)	-	(8)
Administration	(34)	16	-	(2)	(50)	70	-	-	-	-	(70)
Waste Disposal	154	19	-	10	(28)	-	155	14	(169)	-	-
Bushfire Protection	52	-	-	3	(4)	-	51	-	(51)	-	-
S94 Contributions - under a Plan	1,765	528	-	132	(542)	-	1,883	5,215	(7,444)	(346)	-
S94A Levies - under a Plan	180	218	-	10	(403)	-	5				-
Total S94 Revenue Under Plans	1,945	746	-	142	(945)	-	1,888				-
S94 not under Plans	482	23	-	31	(30)	-	506	250	(756)	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	3,753	2,681	-	318	(3,189)	-	3,563				
Total Contributions	6,180	3,450	-	491	(4,164)	-	5,957	5,465	(8,200)	(346)	-

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLANContribution 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	15	9	-	1	-	(25)	-	5	(7)	(2)	25
- Northern District	(116)	35	-	(4)	(12)	97	-	15	-	15	(97)
- Central District	(208)	16	-	(10)	(17)	219	-	3	-	3	(219)
- Southern District	(59)	1	-	(2)	-	60	-	-	-	-	(60)
Total	(368)	61	-	(15)	(29)	351	-	23	(7)	16	(351)

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	
- Shire Wide	-	-	-	-	-	-	-	-	-	-	-
- Northern District	-	-	-	-	-	-	-	-	-	-	-
- Central District	26	-	-	2	-	-	28	1	-	29	-
- Southern District	32	2	-	2	-	-	36	2	-	38	-
Total	58	2	-	4	-	-	64	3	-	67	-

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLANContribution 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	154	19	-	10	(28)	-	155	14	(169)	-	-
- Northern District	-	-	-	-	-	-	-	-	-	-	-
- Central District	-	-	-	-	-	-	-	-	-	-	-
- Southern District	-	-	-	-	-	-	-	-	-	-	-
Total	154	19	-	10	(28)	-	155	14	(169)	-	-

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	(6)	4	-	-	-	2	-	2	-	2	(2)
- Central District	(12)	3	-	-	-	9	-	1	(1)	-	(9)
- Southern District	3	-	-	-	-	(3)	-	-	(2)	(2)	3
Total	(15)	7	-	-	-	8	-	3	(3)	-	(8)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	(34)	16	-	(2)	(50)	70	-	-	-	-	(70)
Total	(34)	16	-	(2)	(50)	70	-	-	-	-	(70)

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	334	32	-	23	-	(389)	-	11	(400)	(389)	389
- Moruya	103	-	-	5	(74)	-	34	2	(36)	-	-
- Narooma	98	-	-	6	-	(40)	64	3	(107)	(40)	40
- Central Tilba	-	-	-	-	-	-	-	-	-	-	-
Total	535	32	-	34	(74)	(429)	98	16	(543)	(429)	429

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	134	277	-	17	(150)	-	278	147	(425)	-	-
Total	134	277	-	17	(150)	-	278	147	(425)	-	-

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	48	-	-	3	-	-	51	2	(53)	-	-
Total	48	-	-	3	-	-	51	2	(53)	-	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	20	15	-	2	-	-	37	243	(280)	-	-
Area 2A - NW Batemans Bay	285	-	-	19	-	-	304	680	(984)	-	-
Area 2B - Long Beach	47	-	-	3	-	-	50	8	(58)	-	-
Area 3B - Surf Beach/Malua Bay	-	36	-	-	(36)	-	-	723	(723)	-	-
Area 4 - Bimbimbi	(27)	-	-	(1)	-	28	-	483	(455)	28	(28)
Area 5 - Polwambra	123	-	-	8	-	(28)	103	428	(559)	(28)	28
Area 6 - Moruya	411	63	-	24	(171)	-	327	877	(1,204)	-	-
Area 7 - Congo/Bingi	106	-	-	8	-	-	114	1,099	(1,213)	-	-
Area 8 - South Narooma	111	-	-	7	-	-	118	48	(166)	-	-
Area 9 - Tilba	125	-	-	8	-	-	133	418	(551)	-	-
Total	1,201	114	-	78	(207)	-	1,186	5,007	(6,193)	-	-

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	9	-	-	-	(4)	-	5	-	(5)	-	-
- Central District	-	-	-	-	-	-	-	-	-	-	-
- Southern District	43	-	-	3	-	-	46	-	(46)	-	-
Total	52	-	-	3	(4)	-	51	-	(51)	-	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

S94A Levy Contribution 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	180	218	-	10	(403)	-	5	3,917	(97,537)	(93,615)	-
Total	180	218	-	10	(403)	-	5	3,917	(97,537)	(93,615)	-

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	37	23	-	2	(30)	-	32	250	(282)	-	-
Parking	396	-	-	26	-	-	422	-	(422)	-	-
Community Facilities	49	-	-	3	-	-	52	-	(52)	-	-
Total	482	23	-	31	(30)	-	506	250	(756)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	2,742	1,417	-	218	(2,591)	-	1,786	7,500	(7,340)	1,946	-
Total	2,742	1,417	-	218	(2,591)	-	1,786	7,500	(7,340)	1,946	-

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	1,011	1,264	-	100	(598)	-	1,777	5,000	(5,398)	1,379	-
Total	1,011	1,264	-	100	(598)	-	1,777	5,000	(5,398)	1,379	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30th June 2010 a deficit still exists. Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit can be broadly attributed to the employer was estimated to be in the order of \$2,343,577 as at 30 June 2010.

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 Councils 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.

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 2010

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

\$ '000

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

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

Claims have been lodged against Council for compensation in relation to Council infrastructure crossing private property.

Council believes that it is appropriately covered for all other claims through its Insurance Coverage & 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) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

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 determine the value of outstanding income.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		714,756	694,940
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		16,368	19,308
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		182	508
Balance at End of the Reporting Period		<u>731,306</u>	<u>714,756</u>

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	410,222	175,227
Total	<u>410,222</u>	<u>175,227</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	175,227	167,294
- Revaluations for the year	235,177	8,441
- Transfer to Retained Earnings for Asset disposals	(182)	(508)
- Balance at End of Year	<u>410,222</u>	<u>175,227</u>

TOTAL VALUE OF RESERVES

<u>410,222</u>	<u>175,227</u>
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(iii). Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
Correction of Errors - already disclosed in the Prior Period			
Council made the following adjustments in last year's accounts:			
- Buildings - (reduction)			(689)
- Asset Revaluation Reserve - (reduction)			689
<p>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.</p> <p>There was no effect on Retained Earnings.</p> <p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</p> <p>These amounted to the following Equity Adjustments:</p>			
- Adjustments to Opening Equity - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/09 (relating to adjustments for the 30/6/09 year end)		-	(689)
Total Prior Period Adjustments - Prior Period Errors		-	(689)

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 2010

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual
\$ '000	2010	2010	2010
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	6,207	12,816	25,334
User Charges & Fees	5,750	305	12,753
Interest & Investment Revenue	355	2,997	1,827
Other Revenues	20	51	3,025
Grants & Contributions provided for Operating Purposes	251	189	12,125
Grants & Contributions provided for Capital Purposes	3,757	1,587	4,579
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	16,340	17,945	59,643
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,564	3,059	22,336
Borrowing Costs	30	822	2,289
Materials & Contracts	2,958	3,843	14,355
Depreciation & Amortisation	2,836	3,994	9,318
Impairment	-	-	268
Other Expenses	977	977	5,480
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	483	146	825
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Expenses from Continuing Operations	9,848	12,841	54,871
Operating Result from Continuing Operations	6,492	5,104	4,772
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	6,492	5,104	4,772
Net Operating Result attributable to each Council Fund	6,492	5,104	4,772
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	2,735	3,517	193

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

Eurobodalla Shire Council

Notes to the Financial Statements

as at 30 June 2010

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund	Actual	Actual	Actual
\$ '000	2010	2010	2010
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,373	3,155	11,431
Investments	1,958	13,438	21,674
Receivables	1,852	50	7,117
Inventories	64	-	940
Other	9	-	166
Non-current assets classified as "held for sale"	-	-	-
Total Current Assets	5,256	16,643	41,328
Non-Current Assets			
Investments	-	-	500
Receivables	-	-	133
Inventories	-	-	46
Infrastructure, Property, Plant & Equipment	198,390	169,815	791,867
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,637
Intangible Assets	-	-	-
Other	-	-	-
Total Non-Current Assets	198,390	169,815	794,183
TOTAL ASSETS	203,646	186,458	835,511
LIABILITIES			
Current Liabilities			
Payables	13	38	15,760
Borrowings	393	2,200	3,273
Provisions	-	-	8,163
Total Current Liabilities	406	2,238	27,196
Non-Current Liabilities			
Payables	-	-	-
Borrowings	7,174	15,647	29,152
Provisions	-	-	2,274
Total Non-Current Liabilities	7,174	15,647	31,426
TOTAL LIABILITIES	7,580	17,885	58,622
Net Assets	196,066	168,573	776,889
EQUITY			
Retained Earnings	141,494	103,493	486,319
Revaluation Reserves	54,572	65,080	290,570
Total Equity	196,066	168,573	776,889

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

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

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 26/10/10.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2010	2009
Brou Waste Management Facility	2017-18	915	1,845
Surf Beach Waste Management Facility	2016-17	868	1,735
Moruya Waste Management Facility	2010-11	270	275
Balance at End of the Reporting Period	10	2,053	3,855

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.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

Future restoration costs have been restated based on updated costs provided by the Environmental Protection Authority of the Department of Environment, Climate Change and Water in its November 2009 Draft of the "Financial Assurance Policy for NSW Waste Facilities" which provides average restoration costs determined by practitioners experienced in the field.

Reconciliation of movement in Provision for year:	2010	2009
Balance at beginning of year	3,855	3,367
Effect of a change in discount rates used in PV calculations	-	303
Effect of a change in other calculation estimates used	(1,913)	-
Amortisation of discount (expensed to borrowing costs)	111	185
Total - Reinstatement, rehabilitation and restoration provision	2,053	3,855

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 27. Additional Council Disclosures - Financial Information

\$ '000

Key Financial Figures of Council over the past 5 years - Consolidated

Financial Performance Figures	2010	2009	2008	2007	2006
Inflows:					
Rates & Annual Charges revenue	44,357	42,103	39,497	36,781	33,122
User Charges revenue	18,808	15,075	13,028	11,538	11,101
Interest & Investment revenue	5,179	809	2,968	2,922	2,427
Grants Income - Operating & Capital	15,751	26,267	25,030	25,345	19,975
Total Income from Continuing Operations	93,928	93,503	83,728	78,859	68,557
Sale Proceeds from I,PP&E	960	1,669	1,720	1,601	2,315
New Loan Borrowings & Advances	23,262	10,000	5,273	4,139	6,378
Outflows:					
Employee Benefits & On-cost expenses	27,959	27,455	24,991	23,324	21,805
Borrowing Costs	3,141	2,759	2,495	2,300	2,009
Materials & Contracts expenses	21,156	18,086	18,523	17,170	16,359
Total Expenses from Continuing Operations	77,560	74,195	70,812	63,171	56,384
Total Cash purchases of I,PP&E	28,027	41,551	48,505	24,787	20,083
Total Loan Repayments (incl. Finance Leases)	5,325	3,904	1,848	1,758	2,026
Operating Surplus/(Deficit) (excl. Capital Income)	6,445	(507)	1,448	3,693	6,116
Financial Position Figures	2010	2009	2008	2007	2006
Current Assets	63,227	43,776	42,595	54,698	43,994
Current Liabilities	29,840	19,932	19,675	14,621	15,168
Net Current Assets	33,387	23,844	22,920	40,077	28,826
Cash & Investments - Unrestricted	22,808	14,374	15,830	13,021	14,242
Cash & Investments - Internal Restrictions	4,766	4,370	5,449	3,456	2,409
Cash & Investments - Total	53,529	37,672	32,953	48,204	40,184
Available Working Capital (Unrestricted Net Current Assets)	18,199	15,631	11,449	13,049	7,479
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	57,839	44,864	38,768	35,769	32,962
Total Value of I,PP&E (excl. Land & Earthworks)	1,303,630	994,826	945,266	702,829	675,545
Total Accumulated Depreciation	406,364	350,246	332,366	252,269	242,237
Indicative Remaining Useful Life (as a % of GBV)	69%	65%	65%	64%	64%

Source: Published audited financial statements of Council (current year & prior year annual financial statements)

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 28. Additional Council Disclosures - Council Information

Principal Place of Business:

Vulcan Street
Moruya NSW 2537

Contact Details
Mailing Address:

PO Box 99,
Moruya 2537

Opening Hours

8:30am - 4:30pm

Telephone: 02 4474 1000

Facsimile: 02 4474 1234

Internet: www.esc.nsw.gov.au

Email: council@eurocoast.nsw.gov.au

Officers
GENERAL MANAGER

Paul Anderson

RESPONSIBLE ACCOUNTING OFFICER

Miles Craighead

PUBLIC OFFICER

Cheryl McFarlane

AUDITORS

Carl Millington
Pitcher Partners NSW Pty Ltd
Sydney, NSW 2001

Elected Members
MAYOR

Fergus Thomson

COUNCILLORS

Chris Vardon OAM
Allan Brown
Lindsay Brown
Keith Dance
Chris Kowal
Alan Morton
Rob Pollock
Graham Scobie

Other Information

ABN: 47 504 455 945



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ACCOUNTANTS AUDITORS & ADV

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EUROBODALLA SHIRE COUNCIL

**Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2010**

Report on the Financial statements

We have audited the general purpose financial statements of Eurobodalla Shire Council, which comprises the Balance Sheet as at 30 June 2010, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements 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 statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements 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 expenditure in note 17, additional Council disclosure notes, 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 statements are free from material misstatement.

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

policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

Report on Other Legal and Regulatory Requirements

Council's Responsibilities for compliance with other legal and regulatory requirements

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.

Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

Auditors' Opinion on other legal and regulatory requirements

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance with the requirements of this Division and Regulation;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position and the results of its operations;
- (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 statements that we have become aware of in the course of the audit.

Pitcher Partners
PITCHER PARTNERS

Cr Millington
C R MILLINGTON
Partner

Sydney, 26 October 2010



PITCHER PARTNERS

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26 October 2010

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) of the Local Government Act (1993) YEAR ENDED 30 JUNE 2010

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 2010 year.

Audit Conclusion

Our audit of the financial statements for the year ended 30 June 2010 resulted in unmodified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

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 decreased from \$19.308M in 2009 to \$16.368M in 2010. This compared with a budgeted surplus of \$8.767M for the year.

Operating Result before Capital. The operating result before capital grants and contributions was a surplus of \$6.445M compared with a deficit of \$507K in 2009. This

compared with the original budget deficit of \$3.517M. Detailed explanations for the material variances from Council's original budget are provided in Note 16 to the general purpose financial statements.

Depreciation. Included in the operating result was \$16.148M for the depreciation and amortisation of assets which increased from \$15.372M in the prior year and compared with the original budget of \$18.523M.

Operating Grants and Contributions. Operating grants and contributions for the year totalled \$12.565M and represented 13% of total income from continuing operations. This compares with \$13.854M and 15% in 2009.

Capital Grants and Contributions. Capital grants and contributions amounted to \$9.923M for the 2010 year and represented 11% of total income from continuing operations. This compares with \$13.854M and 13% for the prior year.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$44.357M from \$42.103M in the prior year. This represented a 5.4% increase and was \$1.04M less than the original budget for 2010.

Balance sheet - Financial Position

Council's equity at 30 June 2010 amounted to \$1,142M and was increased by the net operating result for the year (\$16.368M surplus) and the net revaluation of infrastructure assets of \$235.18M.

The substantial movement in non-current assets was due to the revaluation of roads, bridges and drainage assets (\$235.18M), which was processed through equity.

The movement in non-current liabilities is due to the additional loan facility of \$23.26M 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 \$2.15M during the year, with \$26.707M being provided from operations, \$42.494M utilised in investing activities for the acquisition and sale of non-current assets and \$17.937M provided from the net movement in loans.

Total Investments and Cash Balances

Council's total cash balance at 30 June 2010 was comprised of the following:

	2010	2009	2008
	\$'000	\$'000	\$'000
Externally restricted cash	25,955	18,928	11,657
Internally restricted cash	4,766	4,370	5,449
Unrestricted cash	<u>22,808</u>	<u>14,374</u>	<u>15,847</u>
<i>Total Cash & Cash Equivalents</i>	<u>53,529</u>	<u>36,595</u>	<u>32,953</u>

These figures include current and non-current balances

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 increased 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.

Working Capital (Net Current Assets)

	2010 \$'000	2009 \$'000	2008 \$'000
Current assets	63,227	43,776	42,617
Current liabilities	<u>29,840</u>	<u>19,932</u>	<u>21,907</u>
Net current assets	33,387	23,844	20,710
Add: liabilities not expected to be settled in 12 months	<u>4,545</u>	<u>3,994</u>	<u>3,477</u>
	37,932	27,838	24,187
<i>Less: Commitments against working capital</i>			
Net external restrictions	<u>24,451</u>	<u>16,074</u>	<u>14,611</u>
<i>Unrestricted Working Capital</i>	<u>13,481</u>	<u>11,764</u>	<u>9,576</u>

Council's balance of net current assets increased from \$23.844M in 2009 to \$33.387M at the end of the 2010 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 2010. The adjusted working capital after allowing for net external restrictions was \$13.481M (2009 - \$11.764M).

After taking into consideration Council's internal reserves, other liabilities that are anticipated to be funded from the 2010/11 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 2010 year results with prior years.

	2010	2009	2008	2007
Unrestricted current ratio	1.61:1	1.95:1	1.9:1	2.1:1
Debt service ratio	10.65%	9.62%	6%	6%
Rate coverage ratio	47.22%	45.03%	47%	47%
Rates & annual charges outstanding ratio	2.84%	3.22%	3.01%	2.83%
Asset renewals ratio	47.41%	41.55%	45.0%	N/A

Unrestricted Current Ratio. The ratio is within industry guidelines, is below the Division of Local Government benchmark of 2:1, and has been trending down in recent years.

Debt Service Ratio. The debt service ratio has increased in line with recent loan raisings but remains within the industry benchmark of 10-15%.

Rates and Annual Charges Coverage Ratio. Council's rates and annual charges revenue represented 47.22% of 2010 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 2.84%. This is an improvement on the prior year but remains well within the industry benchmark of 5%.

Asset Renewals Ratio. The ratio improved on the prior year and is below the industry guidelines of 100%.

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.

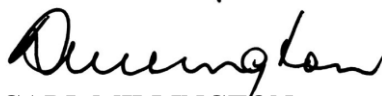
Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 18), and other legislatively prescribed standards.

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