



**EUROBODALLA SHIRE COUNCIL**

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*Good Government, better living*

**FINANCIAL STATEMENTS  
AND  
SPECIAL SCHEDULES**

**FOR THE YEAR ENDED  
30 JUNE 2009**

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## EXECUTIVE SUMMARY



Council's Financial Statements were completed within the statutory timeframe. The audit report was qualified again this year as a result of the auditor being unable to gather sufficient evidence on the fair values of CDO investments. Other Councils in NSW with CDO investments have similar qualifications to their audit reports.

### SUMMARY OF FINANCIAL REPORTS FOR THE YEAR

Year ended 30 June	Budget 2009 \$'000	Actual 2009 \$'000	Actual 2008 \$'000
<b>Income Statement</b>			
Income from Continuing Operations	87,778	93,503	80,760
Expenses from Continuing Operations	70,605	74,195	67,844
Profit/(Loss) from Disposal of Assets		(1,832)	(1,161)
Surplus (deficit) before revenue for capital purposes	(1,466)	(507)	408
Surplus after revenue for capital purposes	17,173	19,308	12,916
<b>Balance Sheet</b>			
Total current assets		43,776	42,617
Total current liabilities		19,932	21,907
Total non-current assets		909,720	880,079
Total non-current liabilities		43,581	38,555
Total equity		889,983	862,234
<b>Cash Flow Statement</b>			
Net Cash from Operations	30,884	39,588	32,072
Net Increase (Decrease) in Cash Held	(5,066)	8,592	(20,626)
Cash at End of Reporting Period	151	13,809	5,217
Proceeds from Sale of Assets (excluding Investment Securities)	2,625	1,669	1,720
Purchase of Property, Plant & Equipment	58,303	41,551	48,505
<b>Other financial information</b>			
Unrestricted current ratio	1.24:1	1.95:1	1.90:1
Debt service ratio	0.09:1	0.09:1	0.06:1
Rates coverage ratio	0.49:1	0.45:1	0.47:1
Rates outstanding percentage	< 3%	3.22%	3.01%

### Income Statement

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

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

The surplus from ordinary activities after revenue for capital items was around \$19.3m in 2008 (from \$12.9m previous year). There was a deficit of about \$0.507m before recognising revenue for capital items.

Notable factors affecting the net result:

1. Increased Ordinary Rates revenue (2008/09 \$18.0m; 2007/08 \$17.4m; Difference \$0.6m).
2. Increased Annual Charges revenue for water supply and sewer services (2008/09 \$17.8m; 2007/08 \$16.1m; Difference \$1.7m).
3. Increased grants for capital purposes as a result of water and sewer infrastructure projects (2008/09 \$19.8m; 2007/08 \$12.5m; Difference \$7.3m).
4. Increased Employee Benefits & On-Costs (2008/09 \$27.5m; 2007/08 \$25.0m; Difference \$2.5m) due to Defined Super Benefit Scheme contributions resumed due to market conditions, higher workers compensation premium, a lower vacancy rate mainly in Planning and Development, increased grant funded positions in Community Services, annual review, works overtime (Roads & Recreation, Water & Sewer), Brou Tip now managed by employees, less reliance on outsourcing including Strategic Planning and deferred leave.
5. Net Loss on Disposal of Assets for \$1.8m mainly due to Southern Dam write-off (\$981k), loss on various water and sewer assets disposed as a result of renewals (\$686k), loss on disposal of investments, and demolition of buildings.
6. Due to the global credit crisis, Council was required to write down the value of its Investments in CDO's by a further \$0.85m. This was recognised as an offset to investing revenue.
7. Revaluation decrement (\$1.3m) on investment properties.
8. Recognition of assets (non-cash) provided by developers (\$3.6m).

### **Other Financial Indicators**

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

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

### **Unrestricted Current Ratio**

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

After adjusting for funds subject to external legal restrictions, such as developer contributions, sewer water and waste, the unrestricted current ratio (funds over which Council has discretion), has increased to 1.95:1 (from 1.9:1 last year). This is within industry standards for this ratio.

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

### **Debt Service Ratio**

The debt service ratio of 0.096:1 is an assessment of the operating revenue committed to the repayment of debt. This is well within Department of Local Government guidelines and reached a low point in 2007/08. It is now increasing in response to Councils' five year capital expenditure program.

Water, sewer and waste borrowings represent 35% (\$15.6m) of all loans. Even while continuing to construct significant infrastructure and facility projects such as water and sewer works, roading, streetscaping and foreshore projects, the debt service ratio has increased by only a minor amount compared to the previous year. Prior to borrowing Council reviewed its available funds, developer contributions etc and was able to reduce the required amount. However it should be noted that this ratio is expected to significantly increase in future years based on the Council's plans to expend on significant capital developments.

### **Rate Cover Ratio**

The rate cover ratio indicates the extent to which the Council relies on rates versus grants and other revenue. This ratio is affected by the Council's ability to source grants and its user fees and charges policies. Other sources of income help to minimise rates or provide additional funding for services, but can create other risks if the income is variable or ceases. For 2008/09 about 45% of total revenues were rates and charges and this has been fairly stable.

### **Rates Outstanding Percentage**

Levels of outstanding uncollected rates (3.22%) remain low compared to most other Councils through a combination of effective administration and ratepayer cooperation. There has been a slight increase during 2007/08, as this has been affected by the economic situation.

### **Asset Management /Condition of Assets**

While most assets are considered to be reasonably well maintained in the circumstances, asset condition factors for roads and bridges raise some concern. Consent for some additional general rates funding towards addressing this was sought and obtained for the 2003/04, 2005/06 and 2006/07 financial years. There are also some similar concerns relating to sewer and to a lesser degree water infrastructure. Long term asset management issues will be examined further as asset management systems and strategies are completed and further information becomes available. The Council has adopted an Integrated Water Cycle Management Plan and related long term financial modelling. The water cycle and waste business/asset management strategies are currently due for review. More information on asset condition is available from Special Schedule 7, included in Appendix A.

During 2008/09, \$4.6 million was spent on renewal of existing buildings and infrastructure assets. When compared to Council's \$11.2 million depreciation expense for building and infrastructure assets, it also indicates the possibility that Council may not be maintaining all its past assets/services or will reach a point where catch up is required. Water and sewer functions have, for example, deferred some renewal works during the current period of heavy investment in new infrastructure. In particular there is a concern about some roads constructed in the 1960s. This is an issue that is affecting local government generally and is the subject of the inquiry into financial sustainability.

## PRINCIPAL ACTIVITIES STATEMENT

PRINCIPAL ACTIVITY	INCOME		EXPENSES		OPERATING RESULT		CAPITAL WORKS	
	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000
<b>Year ended 30 June 2009</b>								
<b>Better Living, the Economy</b>								
Development & Building Control	1,384	1,427	3,477	3,669	- 2,093	- 2,242	-	-
Economic & Industrial Development	3	3	172	168	- 169	- 165	-	-
Other Economic Services	4,602	4,467	6,566	5,386	- 1,964	- 919	1,166	90
Public Amenities	1,013	524	2,650	1,811	- 1,637	- 1,287	2,027	2,998
Transport	7,131	4,094	12,077	11,228	- 4,946	- 7,134	11,128	6,229
<b>Total</b>	<b>14,133</b>	<b>10,515</b>	<b>24,942</b>	<b>22,262</b>	<b>- 10,809</b>	<b>- 11,747</b>	<b>14,321</b>	<b>9,317</b>
<b>Better Living, the Environment</b>								
Bush Fire & Emergency Services	906	427	1,461	1,117	-555	- 690	417	147
Environmental	1,575	1,375	2,208	1,467	- 633	- 92	184	152
Sewerage Services	16,935	13,950	12,925	12,269	4,010	1,681	4,021	12,043
Waste	7,433	7,048	7,290	6,972	143	76	1,428	1,315
Water Services	20,501	25,386	10,170	10,543	10,331	14,843	15,299	31,201
<b>Total</b>	<b>47,350</b>	<b>48,186</b>	<b>34,054</b>	<b>32,368</b>	<b>13,296</b>	<b>15,818</b>	<b>21,349</b>	<b>44,858</b>
<b>Better Living, the Community</b>								
Community Services	4,696	3,291	5,678	4,478	- 982	- 1,187	21	38
Public Order & Safety	225	178	932	832	- 707	- 654	111	5
Public Health	77	25	136	143	- 59	- 118		
Recreation & Culture	2,016	740	7,818	5,624	- 5,802	- 4,884	1,640	1,080
<b>Total</b>	<b>7,014</b>	<b>4,234</b>	<b>14,564</b>	<b>11,077</b>	<b>-7,550</b>	<b>- 6,843</b>	<b>1,772</b>	<b>1,123</b>
<b>Good Government, the Council</b>								
Governance & Overheads	433	249	265	4,893	168	-4,644	4,084	3,006
General Rates and Revenue	24,573	24,594	370	6	24,203	24,588		
<b>Total</b>	<b>25,006</b>	<b>24,843</b>	<b>635</b>	<b>4,899</b>	<b>24,371</b>	<b>19,944</b>	<b>4,084</b>	<b>3,006</b>
<b>TOTAL ALL ACTIVITIES</b>	<b>93,503</b>	<b>87,778</b>	<b>74,195</b>	<b>70,606</b>	<b>19,308</b>	<b>17,172</b>	<b>41,526</b>	<b>58,304</b>

*Note: The results in this statement reconcile to the annual accounts overall. Individual line items may differ to those of a similar description in note 2 of the audited financial statements. This statement is based on Council's own definition of activities which differs from note 2. It treats internal dividends as additional income in General Rates & Revenues and reductions of revenue in Water and Sewer. Significant variations between budget and actual are reported in note 16.*

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# Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL REPORT  
for the year ended 30 June 2009

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*“Good Government, Better Living”*



**EUROBODALLA SHIRE COUNCIL**

*Good Government, better living*

# Eurobodalla Shire Council

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

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### Overview

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

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

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

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

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

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

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

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

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

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

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

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

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



FD Thomson  
MAYOR



CP Vardon OAM (Deputy Mayor)  
COUNCILLOR



PJ Anderson  
GENERAL MANAGER



MS Craighead  
RESPONSIBLE ACCOUNTING OFFICER

## Eurobodalla Shire Council

## Income Statement

for the financial year ended 30 June 2009

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

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

## Eurobodalla Shire Council

## Balance Sheet

as at 30 June 2009

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

## Eurobodalla Shire Council

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

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

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

## Eurobodalla Shire Council

## Cash Flow Statement

for the financial year ended 30 June 2009

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

**Please refer to Note 11 for information on the following:**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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n/a - not applicable

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

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

Examples include;

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

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

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

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

###### (iii) Application of AAS 27

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

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

###### (iv) Basis of Accounting

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

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

###### (v) Changes in Accounting Policies

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

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



## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (vi) Critical Accounting Estimates

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

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

##### (b) Revenue recognition

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

Revenue is measured on major income categories as follows:

##### Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

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

##### User Charges, Fees and Other Income

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

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

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

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

##### Sale of Infrastructure, Property, Plant and Equipment

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



## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Interest and Rents

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

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

##### (c) Principles of Consolidation

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

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

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

##### (i) The Consolidated Fund

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

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

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

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

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

##### (ii) The Trust Fund

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

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

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

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

##### (iii) Joint Venture Entities

###### Jointly Controlled Assets & Operations

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

###### Jointly Controlled Entities

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

##### (iv) Associated Entities

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

Such entities are usually termed "Associates".

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

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

##### (d) Leases

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

###### Finance Leases

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

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

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

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

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

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

###### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

##### (f) Investments and Other Financial Assets

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

##### **(ii) Loans and receivables**

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

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

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

##### **(iii) Held-to-maturity investments**

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

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

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

##### **(iv) Available-for-sale financial assets**

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

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

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

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

##### **Financial Assets – Reclassification**

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

##### Actual Reclassifications

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

##### General Accounting & Measurement of Financial Instruments:

###### (i) Initial Recognition

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

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

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

###### (ii) Subsequent Measurement

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

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

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

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

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

##### Impairment

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

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

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

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

###### (iii) Types of Investments

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

authorised investments prescribed under the Local Government Investment Order.

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

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

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

#### (g) Fair value estimation

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

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

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

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

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

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

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

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

#### (h) Receivables

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

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

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

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

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

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

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

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

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

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



## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

#### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

##### Acquisition of assets

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

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

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

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

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

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

##### Initial Recognition

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

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

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

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

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

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

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

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

##### Capitalisation Thresholds

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

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

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

<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

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

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

##### Depreciation

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

Land is not depreciated.

Estimated useful lives for Councils assets include:

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

**Disposal and De-recognition**

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

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

**(k) Land**

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

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

**(l) Land under roads**

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

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

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

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

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

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



## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

#### (n) Crown Reserves

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

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

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

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

#### (o) Rural Fire Service assets

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

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

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

#### (p) Investment property

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

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

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

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

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

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

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

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

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

Costs are estimated on the basis of a closure plan.

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

##### (s) Impairment of assets

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

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

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

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

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

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

##### (t) Payables

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

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

##### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

##### (v) Borrowing costs

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

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

##### (w) Provisions

Provisions for legal claims and service warranties are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

#### **(x) Employee benefits**

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

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

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

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

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

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

##### **(ii) Long service leave**

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

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

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

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

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

##### **(iii) Retirement benefit obligations**

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

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

##### **Defined Benefit Plans**

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

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

#### Defined Contribution Plans

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

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

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

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

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

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

#### Exceptions

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

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

#### (z) Taxes

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

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

#### Goods & Services Tax (GST)

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

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

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

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

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

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



## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

#### **(aa) New accounting standards and UIG interpretations**

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

**Council has not adopted any of these standards early.**

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

#### **Applicable to Local Government with implications:**

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

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

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

Council will apply the revised standard from 1 July 2009.

#### **Applicable to Local Government but no implications for Council;**

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

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

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

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

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

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

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

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

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

**Not applicable to Local Government per se;**

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

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

**(ab) Rounding of amounts**

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

**(ac) Comparative Figures**

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

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

**(ad) Disclaimer**

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



# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 2(b). Components of Functions / Activities

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

Costs not otherwise attributed to other functions / activities.

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

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

##### **COMMUNITY SERVICES & EDUCATION**

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

##### **HOUSING & COMMUNITY AMENITIES**

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

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

##### **FUEL & ENERGY - Gas Supplies**

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries and pits, other.

##### **TRANSPORT & COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

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



## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 5. Gains or Losses on Disposal of Assets

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

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

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

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

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

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"	<b>13,809</b>	<b>-</b>	<b>5,217</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"				
--	--	--	--	--

- "Held for Trading" 6(b-i)	8,185	577	13,151	585
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- "Designated At Fair Value on Initial Recognition" 6(b-i)	-	-	-	-
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b. "Held to Maturity" 6(b-ii)	14,601	500	13,000	1,000
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c. "Loans & Receivables" 6(b-iii)	-	-	-	-
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d. "Available for Sale" 6(b-iv)	-	-	-	-
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<b>Investments</b>	<b>22,786</b>	<b>1,077</b>	<b>26,151</b>	<b>1,585</b>
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## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 6b. Investments (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

**External Restrictions - Other**

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



## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

**A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

**C** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 7. Receivables

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

**Notes on Debtors above:**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 8. Inventories &amp; Other Assets

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

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

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 10a. Payables, Borrowings &amp; Provisions

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

## (i) Liabilities relating to Restricted Assets

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

<sup>1</sup>. Loans are secured over the General Rating Income of Council

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

## Note 10b. Description of and movements in Provisions

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

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

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



## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 11. Cash Flow Statement - Additional Information

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

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

**(ii) Secured Loan Liabilities**

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

**(e) Net Cash Flows Attributable to Discontinued Operations**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 12. Commitments for Expenditure

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 12. Commitments for Expenditure (continued)

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

**b. Non Cancellable Operating Leases include the following assets:**

Plant &amp; Equipment.

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

**Conditions relating to Operating Leases:**

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

**(e) Investment Property Commitments**

Nil

**(f) Remuneration Commitments**

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

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

**(g) Investment in Associates / Joint Ventures - Commitments**

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 13. Statement of Performance Measurement - Indicators

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

## Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

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

<sup>(2)</sup> Refer to Note 10(a).

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

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

# Eurobodalla Shire Council

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

### Note 13a. Statement of Performance Measurement - Graphs

\$ '000

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 14. Investment Properties

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

**(b) Valuation Basis**

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

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

**(c) Contractual Obligations at Reporting Date**

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

**(d) Leasing Arrangements**

There are no leasing arrangements.



## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 15. Financial Risk Management

\$ '000

## Risk Management

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

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

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

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

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

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

Fair Value is determined as follows:

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 15. Financial Risk Management (continued)

\$ '000

**(b) Receivables**

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

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

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

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

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

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 15. Financial Risk Management (continued)

\$ '000

## (c) Payables &amp; 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		
<b>2009</b>									
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
<b>Total Financial Liabilities</b>	<b>441</b>	<b>11,723</b>	<b>4,238</b>	<b>4,023</b>	<b>1,580</b>	<b>10,686</b>	<b>19,011</b>	<b>51,702</b>	<b>51,702</b>
<b>2008</b>									
Trade/Other Payables	592	10,373	-	-	-	-	-	10,965	10,965
Loans & Advances	-	3,904	4,973	3,861	3,619	1,144	21,267	38,768	38,768
<b>Total Financial Liabilities</b>	<b>592</b>	<b>14,277</b>	<b>4,973</b>	<b>3,861</b>	<b>3,619</b>	<b>1,144</b>	<b>21,267</b>	<b>49,733</b>	<b>49,733</b>

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations

\$ '000

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

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

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

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations (continued)

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



## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations (continued)

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations (continued)

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

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

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

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

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

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

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

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

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

##### Contribution Plan 2000 - 2005, **Administration**

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

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

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### Contribution Plan 2000 - 2005, Arterial Roads

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

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

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### Contribution Plan, Rural Roads

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

##### Contribution Plan, Bushfire Services

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

# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94A LEVIES - UNDER A PLAN

##### S94A Levy Contributions Plan 2007

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

#### S94 CONTRIBUTIONS - NOT UNDER A PLAN

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



# Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S64 Contributions

##### S64 Water Contributions

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

##### S64 Sewer Contributions

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000

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

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

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

**(ii) S94 Plans**

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

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

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

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

**(iii) Workcover accident**

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

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

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

**(ii) Infringement Notices/Fines**

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

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

## Note 20. Equity - Retained Earnings and Revaluation Reserves

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

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
---------	-------	----------------	----------------

## c. Correction of Error/s relating to a Previous Reporting Period

**Council has made the follow prior period adjustments:**

Buildings		(689)	-
Asset Revaluation Reserve		(689)	-
Retained Earnings		-	-

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

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

## d. Voluntary Changes in Accounting Policies

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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

**(ii) Details of Assets & Disposal Groups**

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

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

Nil

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

## Eurobodalla Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 23. Events occurring after Balance Sheet Date

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\$ '000

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

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

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

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

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

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

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

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

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

#### Note 24. Discontinued Operations

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

#### Note 25. Intangible Assets

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

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

## Eurobodalla Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 26. Reinstatement, Rehabilitation &amp; Restoration Liabilities

\$ '000

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

Brou, Surf Beach & Moruya Waste Management Facilities.

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

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

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

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

**Reconciliation of movement in Provision for year:**

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

**Amount of Expected Reimbursements**

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



## Eurobodalla Shire Council

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

#### Note 27. Additional Council Disclosures - Council Information

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**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](http://www.esc.nsw.gov.au)

**Email:** [council@eurocoast.nsw.gov.au](mailto:council@eurocoast.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

PJ Anderson

**RESPONSIBLE ACCOUNTING OFFICER**

MS Craighead

**PUBLIC OFFICER**

CE McFarlane

**AUDITORS**

C Millington, Pitcher Partners NSW Pty Ltd

**Elected Members**

**MAYOR**

FD Thomson

**COUNCILLORS**

CP Vardon OAM (Deputy Mayor)

AJ Brown

LN Brown

KW Dance

C Kowal

AD Morton

RJ Pollock

GW Scobie

**Other Information**

**ABN:** 47504455945



# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Australia

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B W JONES  
D S MCGILL  
C R MILLINGTON  
Y E PIETSCH  
R AL SHANLEY  
D W STAPLES  
P G WESTON  
D G YOUNG

CONSULTANTS  
J S YOUNG  
D G BARNSDALL  
P S ROWE

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

### **Report on the Financial Report**

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

### **Council's Responsibilities for the Financial Report**

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

### **Auditor's Responsibilities**

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

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

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

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

### **Basis for Qualified Auditor's Opinion**

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

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

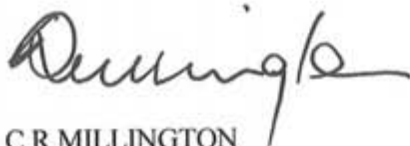
### **Qualified Audit Opinion**

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

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



PITCHER PARTNERS



C R MILLINGTON  
Partner

Sydney, 4 November 2009





# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

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19 Martin Place  
Sydney NSW 2000  
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P G WESTON  
D G YOUNG

CONSULTANTS  
J S YOUNG  
D G BARNSDALE  
P S ROWE

4 November 2009

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

Dear Councillor Thomson

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

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

### Audit Scope

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

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

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

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

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

## **Audit Conclusion**

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

## **Additional Audit Considerations and Comment**

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

### **Income Statement**

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

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

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

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

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

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

### **Balance sheet - Financial Position**

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

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

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

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



### Movements in Cash and Cash Equivalents

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

### Total Investments and Cash Balances

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

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

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

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

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

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

### Working Capital (Net Current Assets)

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

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

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

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

### Performance Indicators and Trends

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

#### Abridged Note 13 – Statement of Performance Measurement

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

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

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

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

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

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

### Progress with the recognition and valuation of roads and related infrastructure

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

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

**Legislative Compliance**

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

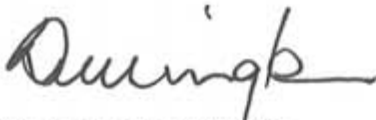
Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 17), and other legislatively prescribed standards.

**Conduct of the audit**

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

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

Yours faithfully  
PITCHER PARTNERS



CARL MILLINGTON  
Partner



# Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS  
for the year ended 30 June 2009

---

*“Good Government, Better Living”*



**EUROBODALLA SHIRE COUNCIL**

*Good Government, better living*

# Eurobodalla Shire Council

## Special Purpose Financial Reports for the financial year ended 30 June 2009

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Reports:</b>	
- Income Statement of Water Supply Business Activity	3
- Income Statement of Sewerage Business Activity	4
- Income Statement of Other Business Activities	n/a
- Balance Sheet of Water Supply Business Activity	5
- Balance Sheet of Sewerage Business Activity	6
- Balance Sheet of Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Reports</b>	7
<b>4. Auditor's Report</b>	16

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### Background

- (i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial reports for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

## Eurobodalla Shire Council

### Special Purpose Financial Reports for the financial year ended 30 June 2009

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- The Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these Reports:

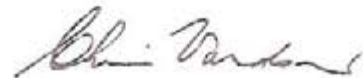
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

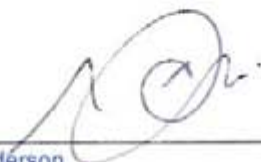
Signed in accordance with a resolution of Council made on 20th October 2009.




FD Thomson  
MAYOR



CP Vardon OAM (Deputy Mayor)  
COUNCILLOR



PJ Anderson  
GENERAL MANAGER



MS Craighead  
RESPONSIBLE ACCOUNTING OFFICER

## Eurobodalla Shire Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
<b>Income from continuing operations</b>			
Access charges	5,959	5,700	4,720
User charges	4,996	4,885	4,108
Fees	165	196	184
Interest	116	857	704
Grants and contributions provided for non capital purposes	210	191	194
Profit from the sale of assets	-	8	26
Other income	21	52	27
<b>Total income from continuing operations</b>	<b>11,467</b>	<b>11,889</b>	<b>9,963</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	2,490	2,292	2,524
Borrowing costs	179	31	42
Materials and contracts	2,699	3,091	2,807
Depreciation and impairment	2,828	2,404	2,387
Loss on sale of assets	1,176	-	-
Calculated taxation equivalents	22	23	1
Other expenses	913	1,754	886
<b>Total expenses from continuing operations</b>	<b>10,307</b>	<b>9,595</b>	<b>8,647</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,160</b>	<b>2,294</b>	<b>1,316</b>
Grants and contributions provided for capital purposes	9,172	5,598	1,708
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>10,332</b>	<b>7,892</b>	<b>3,024</b>
Surplus (deficit) from Discontinued Operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>10,332</b>	<b>7,892</b>	<b>3,024</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(348)	(688)	(395)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>9,984</b>	<b>7,204</b>	<b>2,629</b>
plus Opening Retained Profits	124,534	116,642	113,947
Transfers (to)/from Asset Revaluation Reserve	63	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	1
- Corporate taxation equivalent	348	688	395
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	(330)
<b>Closing Retained Profits</b>	<b>134,929</b>	<b>124,534</b>	<b>116,642</b>
<b>Return on Capital %</b>	<b>0.7%</b>	<b>1.6%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>8,627</b>	<b>562</b>	<b>2,752</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	9,984	7,204	2,629
less: Capital grants and contributions (excluding developer contributions)	(8,242)	(4,718)	(1,004)
<b>Surplus for dividend calculation purposes</b>	<b>1,742</b>	<b>2,486</b>	<b>1,625</b>
<b>Potential Dividend calculated from surplus</b>	<b>871</b>	<b>1,243</b>	<b>813</b>

## Eurobodalla Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
<b>Income from continuing operations</b>			
Access charges	11,853	10,415	9,719
User charges	-	-	-
Liquid Trade Waste Charges	118	118	129
Fees	11	-	-
Interest	264	278	207
Grants and contributions provided for non capital purposes	327	178	174
Other income	71	72	59
<b>Total income from continuing operations</b>	<b>12,644</b>	<b>11,061</b>	<b>10,288</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	2,964	2,818	2,381
Borrowing costs	756	802	767
Materials and contracts	4,162	4,173	3,784
Depreciation and impairment	3,868	3,084	2,905
Loss on sale of assets	495	555	456
Calculated taxation equivalents	40	41	8
Other expenses	789	1,074	657
<b>Total expenses from continuing operations</b>	<b>13,074</b>	<b>12,547</b>	<b>10,958</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(430)</b>	<b>(1,486)</b>	<b>(670)</b>
Grants and contributions provided for capital purposes	4,441	1,107	874
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,011</b>	<b>(379)</b>	<b>204</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,011</b>	<b>(379)</b>	<b>204</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,011</b>	<b>(379)</b>	<b>204</b>
plus Opening Retained Profits	94,776	95,155	94,943
Transfers (to)/from Asset Revaluation Reserve	12	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	8
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>98,799</b>	<b>94,776</b>	<b>95,155</b>
<b>Return on Capital %</b>	<b>0.2%</b>	<b>Nil</b>	<b>-0.6%</b>
<b>Subsidy from Council</b>	<b>8,714</b>	<b>-</b>	<b>-</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	4,011	(379)	204
less: Capital grants and contributions (excluding developer contributions)	(3,822)	(177)	(358)
<b>Surplus for dividend calculation purposes</b>	<b>189</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>95</b>	<b>-</b>	<b>-</b>

## Eurobodalla Shire Council

## Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,927	3,452
Investments	-	-
Receivables	1,681	5,630
Inventories	376	5
Other	-	4
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>5,984</b>	<b>9,091</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	179,893	144,380
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	20,154
<b>Total non-Current Assets</b>	<b>179,893</b>	<b>164,534</b>
<b>TOTAL ASSETS</b>	<b>185,877</b>	<b>173,625</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	36	8
Interest bearing liabilities	128	2,240
Provisions	26	-
<b>Total Current Liabilities</b>	<b>190</b>	<b>2,248</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	307	435
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>307</b>	<b>435</b>
<b>TOTAL LIABILITIES</b>	<b>497</b>	<b>2,683</b>
<b>NET ASSETS</b>	<b>185,380</b>	<b>170,942</b>
<b>EQUITY</b>		
Retained earnings	134,929	124,534
Revaluation reserves	50,451	46,408
Council equity interest	185,380	170,942
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>185,380</b>	<b>170,942</b>

## Eurobodalla Shire Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	8,818	3,284
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	4
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>8,818</b>	<b>3,288</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	163,172	159,183
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>163,172</b>	<b>159,183</b>
<b>TOTAL ASSETS</b>	<b>171,990</b>	<b>162,471</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	135	63
Interest bearing liabilities	2,988	663
Provisions	-	-
<b>Total Current Liabilities</b>	<b>3,123</b>	<b>726</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	9,398	10,617
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>9,398</b>	<b>10,617</b>
<b>TOTAL LIABILITIES</b>	<b>12,521</b>	<b>11,343</b>
<b>NET ASSETS</b>	<b>159,469</b>	<b>151,128</b>
<b>EQUITY</b>		
Retained earnings	98,799	94,776
Revaluation reserves	60,670	56,352
Council equity interest	159,469	151,128
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>159,469</b>	<b>151,128</b>

## Eurobodalla Shire Council

### Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Contents of the Notes accompanying the Financial Statements

<b>Note</b>	<b>Details</b>	<b>Page</b>
1	Summary of Significant Accounting Policies	8
2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13



## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

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

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

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

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

#### National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Eurobodalla Water Supply

Comprising the whole of the operations and net assets of the water supply systems servicing the Shire of Eurobodalla, each of which are established as separate Special Rate Funds.

##### b. Eurobodalla Sewerage Fund

Comprising the whole of the operations and net assets of the sewerage reticulation & treatment system servicing the Shire of Eurobodalla, which is established as a separate Special Rate Fund.

##### Category 2

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

#### Council has no Category 2 Business Activities

#### Monetary Amounts

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

As required by the Department of Water & Energy, some amounts shown in Notes 2 and Note 3 are shown in whole dollars.

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies (continued)

##### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$368,000** of combined land values attracts **0%**. From \$368,001 to \$2,250,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,250,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.875%** on the value of taxable salaries and wages in excess of \$623,000.

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

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

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

##### Income Tax

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

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

## Eurobodalla Shire Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies (continued)

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

##### Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.54% at 30/6/09.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either **(i)** 50% of this surplus in any one year, or **(ii)** the number of water supply or sewerage assessments at 30 June 2009 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2009Note 2. Water Supply Business  
Best Practice Management disclosure requirements

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

2009

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	22,000
(ii)	No of assessments multiplied by \$3/assessment	60,978
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	22,000
(iv)	Amounts actually paid for Tax Equivalents	22,000

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	871,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	587,780
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	5,523,000

2009 Surplus	1,742,000	2008 Surplus	2,485,800	2007 Surplus	1,625,200
		2008 Dividend	-	2007 Dividend	330,000

(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	587,780
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 6 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	NO
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2009Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2009


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	12,872
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	40%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	178,006
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	5,987
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	14,317
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.26%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	7,650

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

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2009Note 3. Sewerage Business  
Best Practice Management disclosure requirements

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

2009

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	40,000
(ii)	No of assessments multiplied by \$3/assessment	56,139
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,000
(iv)	Amounts actually paid for Tax Equivalents	40,000

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	94,500
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	521,390
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	189,000

2009 Surplus	189,000	2008 Surplus	-	2007 Surplus	-
		2008 Dividend	-	2007 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	94,500
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 4 Criteria**

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Eurobodalla Shire Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2009Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2009


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	13,501
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	162,743
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	7,806
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	4,019
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.12%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	3,320

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	24,702
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.51%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	18,336
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.72%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%



## Eurobodalla Shire Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2009Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2009


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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	0.02%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): <span style="border: 1px solid black; padding: 2px;">5,884</span> Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: <span style="border: 1px solid black; padding: 2px;">555</span> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		11
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	3,310
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	373

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



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## **EUROBODALLA SHIRE COUNCIL Special Purpose Financial Report Independent Auditors' Report to the Council for the Year ended 30 June 2009**

### **Report on the Financial Report**

We have audited the special purpose financial report, of Eurobodalla Shire Council for the financial year ended 30 June 2009, comprising the Statement by Councillors and Management, Income Statement of Other Business Activities, Balance Sheet of Other Business Activities, and accompanying notes to the special purpose financial report. The financial statements include the accounts of the declared business activities of the Council.

### **Council's Responsibilities for the Financial Report**

Council is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial reports, which form part of the financial report, are appropriate to their needs. Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities**

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The special purpose financial report has been prepared for distribution to Council and the New South Wales Department of Local Government for the purpose of fulfilling the requirements under the National Competition Policy. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the New South Wales Department of Local Government, or for any purpose other than that for which it was prepared.

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 report presents fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2009 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

*Pitcher Partners*

PITCHER PARTNERS

*Cr Millington*

C R MILLINGTON  
Partner

Sydney, 4 November 2009

# Eurobodalla Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2009

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*“Good Government, Better Living”*



**EUROBODALLA SHIRE COUNCIL**

*Good Government, better living*

# Eurobodalla Shire Council

## Special Schedules

for the financial year ended 30 June 2009

<b>Contents</b>		<b>Page</b>
<b>Special Schedules<sup>1</sup></b>		
- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term debt (all purposes)	5
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	6
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<sup>1</sup> Special Purpose Schedules are not audited.

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### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the Department of Energy, Utilities & Sustainability (DEUS), and
  - the Department of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of specific service financial activities.
-

## Eurobodalla Shire Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Governance</b>	691	<b>691</b>	3	-	<b>3</b>	(688)	<b>(688)</b>
<b>Administration</b>							
Corporate Support	8,424		351	-		(8,073)	
Engineering and Works	1,648		80	-		(1,568)	
Other Support Services <sup>(1)</sup>	(10,498)	<b>(426)</b>	1	-	<b>432</b>	10,499	<b>858</b>
<b>Public Order and Safety</b>							
Contributions to Fire Service Levy	383		-	-		(383)	
Fire Protection – Other	1,018		522	328		(168)	
Animal Control	166		51	-		(115)	
Beach Control	276		-	-		(276)	
Enforcement of Local Govt Regs	490		174	-		(316)	
Emergency Services	59		-	56		(3)	
Other	-	<b>2,392</b>	-	-	<b>1,131</b>	-	<b>(1,261)</b>
<b>Health</b>							
Administration and Inspection	54		-	-		(54)	
Food Control	82		77	-		(5)	
Insect/Vermin Control	10		-	-		(10)	
Noxious Plants	321		164	-		(157)	
Other	-	<b>467</b>	-	-	<b>241</b>	-	<b>(226)</b>
<b>Community Services and Education</b>							
Administration	553		50	-		(503)	
Family Day Care	737		725	-		(12)	
Child Care	459		360	10		(89)	
Youth Services	306		42	-		(264)	
Aged and Disabled	2,853		2,825	26		(2)	
Migrant Services	-		-	-		-	
Aboriginal Services	258		189	-		(69)	
Other Community Services	512		469	-		(43)	
Education	-	<b>5,678</b>	-	-	<b>4,696</b>	-	<b>(982)</b>

## Eurobodalla Shire Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Housing and Community Amenities</b>							
Housing	-		-	-		-	
Town Planning	2,586		811	-		(1,775)	
Domestic Waste Management	4,630		4,552	7		(71)	
Other Waste Management	2,660		2,866	8		214	
Street Cleaning	281		-	-		(281)	
Stormwater Management	1,035		436	356		(243)	
Environmental Protection	1,877		1,411	-		(466)	
Public Cemeteries	136		81	-		(55)	
Public Conveniences	848		-	140		(708)	
Other Community Amenities	349	<b>14,402</b>	-	-	<b>10,668</b>	(349)	<b>(3,734)</b>
<b>Water Supplies</b>	10,170	<b>10,170</b>	11,329	9,172	<b>20,501</b>	10,331	<b>10,331</b>
<b>Sewerage Services</b>	12,925	<b>12,925</b>	12,494	4,441	<b>16,935</b>	4,010	<b>4,010</b>
<b>Recreation and Culture</b>							
Public Libraries	1,374		173	81		(1,120)	
Community Centres	212		111	53		(48)	
Public Halls	133		8	-		(125)	
Other Cultural Services	99		16	-		(83)	
Swimming Pools	834		-	270		(564)	
Sporting Grounds	1,127		373	235		(519)	
Parks and Gardens	4,037		231	298		(3,508)	
Other Sport and Recreation	1	<b>7,817</b>	4	164	<b>2,017</b>	167	<b>(5,800)</b>
<b>Fuel and Energy</b>							
Gas Supplies	-	-	-	-	-	-	-
<b>Mining, Manufacturing and Construction</b>							
Building Control	890		570	-		(320)	
Quarries and Pits	1		-	-		(1)	
Other	-	<b>891</b>	-	-	<b>570</b>	-	<b>(321)</b>



## Eurobodalla Shire Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Transport and Communication</b>							
Urban Roads (UR) - Local	3,803		432	725		(2,646)	
Urban Roads - Regional	832		906	-		74	
Sealed Rural Roads (SRR) - Local	2,686		269	2,161		(256)	
Unsealed Rural Roads (URR) - Local	1,730		126	65		(1,539)	
Bridges on UR - Local	129		10	-		(119)	
Bridges on SRR - Local	303		173			(130)	
Bridges on URR - Local	218		-	-		(218)	
Footpaths	388		-	942		554	
Aerodromes	481		336	-		(145)	
Parking Areas	301		123	-		(178)	
Bus Shelters and Services	65		-	35		(30)	
Water Transport	153		-	85		(68)	
RTA Works (State)	868		964	-		96	
Street Lighting	490		46	-		(444)	
Other	110	12,557	66	2	7,466	(42)	(5,091)
<b>Economic Affairs</b>							
Camping Areas	332		372	100		140	
Caravan Parks	2,574		2,528	-		(46)	
Tourism and Area Promotion	1,749		507	-		(1,242)	
Industrial Development Promotion	172		3	-		(169)	
Saleyards and Markets	27		6	-		(21)	
Real Estate Development	12		-	-		(12)	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	1,394	6,260	699	55	4,270	(640)	(1,990)
<b>Totals – Functions</b>		<b>73,824</b>	<b>49,115</b>	<b>19,815</b>	<b>68,930</b>		<b>(4,894)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	371		<b>24,573</b>		<b>24,573</b>	24,202	<b>24,202</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-	-	-	-	-	-
<b>NET OPERATING RESULT FOR YEAR</b>	<b>74,195</b>		<b>73,688</b>	<b>19,815</b>	<b>93,503</b>	<b>19,308</b>	<b>19,308</b>

Notes:

(1) Includes the recoveries of Corporate and Engineering overhead costs from the other functional areas.

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia), Non Capital General Purpose Grants &amp; Interest on Investments (excl. Restricted Assets)

# Eurobodalla Shire Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2009

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	100	<b>100</b>	-	-	-	-	6	-	100	<b>100</b>
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	65	581	<b>646</b>	-	65	-	2	34	166	415	<b>581</b>
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,839	34,183	<b>38,022</b>	10,000	3,839	-	-	2,534	5,159	39,024	<b>44,183</b>
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>3,904</b>	<b>34,864</b>	<b>38,768</b>	<b>10,000</b>	<b>3,904</b>	<b>-</b>	<b>2</b>	<b>2,574</b>	<b>5,325</b>	<b>39,539</b>	<b>44,864</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Long Term Debt</b>	<b>3,904</b>	<b>34,864</b>	<b>38,768</b>	<b>10,000</b>	<b>3,904</b>	<b>-</b>	<b>2</b>	<b>2,574</b>	<b>5,325</b>	<b>39,539</b>	<b>44,864</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFR's).

## Eurobodalla Shire Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	3,042	3,040
b. Engineering and Supervision	-	-
<b>2. Operation and Maintenance</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	53	59
b. Maintenance expenses	9	15
<b>- Mains</b>		
c. Operation expenses	683	851
d. Maintenance expenses	726	827
<b>- Reservoirs</b>		
e. Operation expenses	266	171
f. Maintenance expenses	81	99
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	331	251
h. Energy costs	446	551
i. Maintenance expenses	109	131
<b>- Treatment</b>		
j. Operation expenses (excluding energy costs)	2	4
k. Chemical costs	2	-
l. Maintenance expenses	4	10
<b>- Other</b>		
m. Operation expenses	220	171
n. Maintenance expenses	13	8
<b>3. Depreciation</b>		
a. System assets	2,679	2,273
b. Plant and equipment	149	131
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	179	31
b. Revaluation Decrements	115	949
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	22	23
<b>5. Total expenses</b>	<b>9,131</b>	<b>9,595</b>

## Eurobodalla Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	5,483	5,239
b. Usage charges	3,641	3,496
<b>7. Non-residential charges</b>		
a. Access (including rates)	476	461
b. Usage charges	1,355	1,389
<b>8. Extra charges</b>	-	-
<b>9. Interest income</b>	116	857
<b>10. Other income</b>	185	248
<b>11. Grants</b>		
a. Grants for acquisition of assets	7,650	4,531
b. Grants for pensioner rebates	191	187
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	930	824
b. Developer provided assets	592	243
c. Other contributions	19	4
<b>13. Total income</b>	<b>20,638</b>	<b>17,479</b>
<b>14. Gain or loss on disposal of assets</b>	(1,176)	8
<b>15. Operating Result</b>	<b>10,331</b>	<b>7,892</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	2,681	3,361

## Eurobodalla Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. Subsidised scheme	13,111	4,531
b. Other new system assets	(367)	11,384
c. Renewals	1,429	1,148
d. Plant and equipment	144	184
<b>17. Repayment of debt</b>		
a. Loans	27	128
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	2	2
<b>19. Totals</b>	<b>14,346</b>	<b>17,377</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	43	30
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>43</b>	<b>30</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	17,758	17,649
b. Residential (unoccupied, ie. vacant lot)	1,563	1,623
c. Non-residential (occupied)	922	824
d. Non-residential (unoccupied, ie. vacant lot)	83	91
<b>25. Number of ETs for which developer charges were received</b>	97 ET	87 ET
<b>26. Total amount (actual dollars) of pensioner rebates</b>	\$ 348,000	\$ 342,000

## Eurobodalla Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies  
for the financial year ended 30 June 2009

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water & Energy, December, '2002. Such charges do not involved significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2008/09 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water and Energy, Dec 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

## Eurobodalla Shire Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2009

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	2,742	-	2,742
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	259	-	259
f. Other	926	-	926
<b>31. Receivables</b>			
a. Specific purpose grants	31	-	31
b. Rates and charges	-	-	-
c. Other	1,650	-	1,650
<b>32. Inventories</b>	376	-	376
<b>33. Property, plant and equipment</b>			
a. System assets	-	178,006	178,006
b. Plant and equipment	-	1,887	1,887
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<u>5,984</u>	<u>179,893</u>	<u>185,877</u>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	36	-	36
<b>38. Borrowings</b>			
a. Loans	128	307	435
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	26	-	26
<b>40. Total liabilities</b>	<u>190</u>	<u>307</u>	<u>497</u>
<b>41. NET ASSETS COMMITTED</b>	<u>5,794</u>	<u>179,586</u>	<u>185,380</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			134,929
<b>43. Asset revaluation reserve</b>			50,451
<b>44. TOTAL EQUITY</b>			<u>185,380</u>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			255,255
<b>46. Accumulated current cost</b> depreciation of system assets			(77,249)
<b>47. Written down current cost</b> of system assets			<u>178,006</u>



## Eurobodalla Shire Council

## Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,765	1,840
b. Engineering and Supervision	-	-
<b>2. Operation and Maintenance</b>		
<b>- Mains</b>		
a. Operation expenses	723	675
b. Maintenance expenses	257	150
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	1,007	871
d. Energy costs	266	271
e. Maintenance expenses	422	575
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,417	1,702
g. Chemical costs	260	218
h. Energy costs	281	271
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	295	277
<b>- Other</b>		
l. Operation expenses	113	834
m. Maintenance expenses	-	3
<b>3. Depreciation</b>		
a. System assets	3,824	2,945
b. Plant and equipment	44	139
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	756	802
b. Revaluation Decrements	109	378
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	40	41
<b>5. Total expenses</b>	<b>12,579</b>	<b>11,992</b>

## Eurobodalla Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	11,038	9,684
<b>7. Non-residential charges</b>		
a. Access (including rates)	785	703
b. Usage charges	-	-
<b>8. Trade Waste Charges</b>		
a. Annual Fees	30	28
b. Usage charges	118	118
c. Excess mass charges & re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	264	278
<b>11. Other income</b>	82	72
<b>12. Grants</b>		
a. Grants for acquisition of assets	3,320	-
b. Grants for pensioner rebates	182	177
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	619	604
b. Developer provided assets	502	503
c. Other contributions	145	1
<b>14. Total income</b>	<u>17,085</u>	<u>12,168</u>
<b>15. Gain or loss on disposal of assets</b>	(495)	(555)
<b>16. Operating Result</b>	<u>4,011</u>	<u>(379)</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	691	(379)

## Eurobodalla Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. Subsidised scheme	450	-
b. Other new system assets	2,606	3,472
c. Renewals	903	732
d. Plant and equipment	60	54
<b>18. Repayment of debt</b>		
a. Loans	1,894	661
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>5,913</b>	<b>4,919</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	1,768	1,750
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>1,768</b>	<b>1,750</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	16,338	16,045
b. Residential (unoccupied, ie. vacant lot)	1,420	1,544
c. Non-residential (occupied)	875	860
d. Non-residential (unoccupied, ie. vacant lot)	80	89
<b>26. Number of ETs for which developer charges were received</b>	76 ET	73 ET
<b>27. Total amount (actual dollars) of pensioner rebates</b>	\$ 332,000	\$ 323,000

## Eurobodalla Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2009

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a. If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2008/09 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water & Energy , Dec 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Eurobodalla Shire Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2009

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	1,011	-	1,011
b. Special purpose grants	3,285	-	3,285
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	4,522	-	4,522
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and charges	-	-	-
c. Other	-	-	-
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	162,743	162,743
b. Plant and equipment	-	429	429
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<b>8,818</b>	<b>163,172</b>	<b>171,990</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	135	-	135
<b>39. Borrowings</b>			
a. Loans	2,988	9,398	12,386
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<b>3,123</b>	<b>9,398</b>	<b>12,521</b>
<b>42. NET ASSETS COMMITTED</b>	<b>5,695</b>	<b>153,774</b>	<b>159,469</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			98,799
<b>44. Asset revaluation reserve</b>			60,670
<b>45. TOTAL EQUITY</b>			<b>159,469</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			257,220
<b>47. Accumulated current cost</b> depreciation of system assets			(94,477)
<b>48. Written down current cost</b> of system assets			162,743

## Eurobodalla Shire Council

### Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2009

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#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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











## Eurobodalla Shire Council

### Special Schedule No. 7 - Condition of Public Works

as at 30 June 2009

## Commentary

### Overview

Council is the manager of significant assets. It manages infrastructure assets worth \$909 million (written down value \$581 million) on behalf of the community or government. With this comes a responsibility to not only ensure that these assets function adequately, but that they are sustainable.

Councils' water, sewer and building assets were revalued in 2007/08. Significant work was undertaken this year to progress toward revaluation of transport assets. Over the coming 12 months the following assets will also be revalued: roads, bridges, drainage, waterway assets and residual structures.

To ensure that all relevant matters have been considered when decisions are made with respect to new assets, Council has adopted what is known as Triple Bottom Line principles. In this, the financial, environmental and social aspects of any decisions must be considered.

This is true for not only new works but also management of existing assets. To this end, Council has embarked on such initiatives as the Integrated Water Cycle Management Strategy and the development of a Transport Asset Management Plan. There is a significant need to extend this philosophy to the management of our existing and new assets.

This integrated approach has been defined as creating "linkages between levels of service, asset condition, asset replacement and budgetary provisions."

It is widely recognised that the management of assets is no longer just undertaking repairs when needed. It has been shown that adequate allowance must be made for the eventual renewal of items, whether they are buildings, roads or other assets; or the undertaking of intervention strategies when most opportune from a financial and length of service perspective.

Each year, the Management Plan examines and determines priorities for works and funding to replace, improve or expand the infrastructure network, or the condition & serviceability of those assets over the coming five-year period.

To ensure adequate levels of service for the community, annual maintenance programs are directed towards retaining the current levels of serviceability.

In conjunction with this, Council has commenced the process of developing a Total Asset Management System.

To assist with determining the appropriate management strategies and programs for works, Council has implemented the procedures in the International Asset Management Manual, as developed by the Institute of Public Works Engineering (Australia). This entails the development of an Asset Management Plan, which identifies the assets involved, the level of service that the asset will be maintained at, and the cost of the asset for its whole life. The Asset Management Plan includes a long-term program for replacement,

on-going maintenance and provision of additional assets required to cater for the anticipated growth of the Shire.

The asset areas identified for development of Asset Management Plans are:

- Transport (includes roads, bridges, carparks, bus shelters, etc)
- Buildings
- Stormwater
- Water & Sewer
- Recreation; and
- Waterways

These Asset Management Plans will be supplemented by Strategic Plans and priority lists which will identify new assets to be provided and which assets are should be upgraded to provide an increased level of service.

Strategic Plans and priority lists have been already been developed for the road network; bridges; footpaths; cycleways; public halls; wharves, jetties and boat ramps; skateparks; toilets; drainage; water; waste water; and waste. A plan is currently being prepared for active recreation assets.

To assist in the monitoring of our assets, a number of databases have been developed to record and monitor the condition of individual assets. These databases are integrated into the relevant strategies.

A series of factors are used in the calculation of priorities for improvement works, through a weighting system. These factors include traffic volumes or pressure loads; development demand; physical condition & age of the asset; vulnerability to flooding, environment or drainage problems; its complaint, safety or failure record; and its importance in the network hierarchy.

That 'score' determines whether the infrastructure assets are classified as 'poor', 'satisfactory', or 'good'. The score may not mean the condition of the road or pipe is poor, rather that the level of service it provides is less than desired. To assist with parity across the different classes of assets, Council is instigating a common hierarchical system. This system identifies assets according to their function – ranging from local to regional. For each hierarchy, a level of service is being determined that is to be applied to the asset.

Each of the following sections indicates the level of service desired of relevant assets.

- Buildings & structures
- Roads
- Bridges
- Footpaths & Cycleways
- Waterways
- Drainage
- Water
- Sewer
- Waste

## Eurobodalla Shire Council

### Special Schedule No. 7 - Condition of Public Works

as at 30 June 2009

## Commentary

### Buildings/Structures

As a provider of community services, Council is responsible for the provision of a wide range of community and operational facilities including public halls, public amenities, and sporting facilities.

Whilst Council is responsible for the assets, it has delegated some maintenance responsibilities to Council Management Committees, the Rural Fire Service or private sector under leasing arrangements.

As with other Council assets, to better manage the asset network a Buildings Asset Management Plan has begun to be prepared. This will identify a program of works required to most effectively manage the network and the financial costs to manage that program.

#### Data

Council has under its care and control 590 buildings or structures, categorised into twelve different types of assets. Recent valuations indicate that these have an estimated replacement value of \$122.4M.

Amongst the buildings and facilities Council is responsible for are:

Administration	Civic Administration Building, 3 libraries, 2 visitor centres, 3 After-school centres
Operational	3 works depots; Buildings & structures at 13 water pump stations, 5 sewer treatment plants, 7 sewer pump stations and 3 waste complexes ; 8 cemeteries; Moruya Saleyards; Moruya Pound; Moruya Airport; SES, Coastal Patrol, VRA.
Bushfire Facilities	23 bushfire stations (some with multiple buildings); Control Centre; Training Facility
Public Halls	12 public halls
Community centres	2 community centres
Sporting Facilities	12 Sporting complexes with amenities/meeting rooms/etc; Moruya Racecourse; Active sporting facilities including racecourse, showground, sporting venues, tennis, basketball, skateparks 4 Surf Lifesaving club buildings
Swimming Pool Centres	3 aquatic centres
Public Toilets	70 toilet blocks not associated with other buildings in parks, reserves, CBD, boatramps (NB Botanic Gardens, Water Gardens and sporting facility toilets listed in respective areas) 25 toilets incorporated into another building
Parks & Reserves	Recreational reserve facilities such as Botanic Gardens, Water Gardens, parks, playgrounds. Included are structures and facilities such as

	shelters, barbeques, tracks, platforms
Caravan Parks/Camping Grounds	1 Caravan park, 3 Camping grounds
Bus shelters	57 bus shelters
Other Structures	Gravel pits

The management of Council's dams, reservoirs and wastewater facilities are reported separately. This section only considers the building components of these facilities.

#### Significant Upgrades

Council has invested significantly in the past year in community-based buildings. Included in the works undertaken were the

- Refurbishment of the toilet block at Evans St, Tuross Head and the facility at North Head Camping ground
- Construction of a new toilet facility at Riverside Park, Moruya
- Reconstruction of the existing shelter at Corrigans Reserve and the provision of a new shelter
- New shelters and structures at Batemans Bay foreshore
- Extension of Narooma Community Centre to provide facilities for Eurobodalla Meals On Wheels
- Provision of 3 additional bus shelters

#### Condition at 30/06/09

To ensure appropriate management of our buildings and related assets, Council has determined that inspections for Council facilities are undertaken on a five-year cycle. A program has been instigated in excess of 150 buildings have been assessed to date.

External and internal condition ratings for buildings and structures are site determined and recorded in a corporate database. For each building, the following rating is applied:

**Table 1: BUILDING CONDITION RATING**

Rating	Description
1	Well above standard (Very good)
2	Above standard(Good)
3	Average standard – maintenance required to 10-20% of structure (Average)
4	Minimum standard – requires major renewal to 20-40% of structure (Poor)
5	Unacceptable standard - unserviceable with over 50% of asset requiring replacement (Very poor)

## Eurobodalla Shire Council

### Special Schedule No. 7 - Condition of Public Works

as at 30 June 2009

## Commentary

Full condition ratings are not available at this stage.

Due to the significant difference in condition rating between the aquatic centres and Council's other assets, these have been considered separately.

The aquatic centres have had their components assessed individually. It has been determined that 70% of the structures at the aquatic centres are of a satisfactory condition.

For the remainder of the assets, it is assumed that 90% of the buildings/structures are at Condition Grade 3 or above and do not require major expenditure to bring to the required standard. It is assumed that the remaining 10% of assets are at Grade 4.

#### *Estimated cost to bring to satisfactory standard*

To determine the cost to bring a building to satisfactory standard a factor can be applied to the replacement value of the building/structure depending upon its condition rating.

The estimate to bring to satisfactory standard is calculated as follows:

Condition Rating 4 – 30% of Replacement Value

Condition Rating 5 – 50% of Replacement Value

It is recognised that this remains an estimate and assessments that are more accurate will be made in the future when all buildings have been assessed.

In the case of the Swimming Centres, it is estimated that 15% of the aquatic facilities are considered at Grade 4 standard.

Based on the above formulae, it is estimated that the total cost to bring those unsatisfactory assets to a satisfactory standard is \$4.1M.

#### *Estimate Annual Capital Renewals / Replacements*

On the basis that no allowance has been made for replacement of buildings and structures, the funds required from the current year onwards to enable the replacement of assets when they are no longer serviceable has been determined by dividing the replacement value by the average remaining life of the structure. This provides the annual figure required for capital renewals and replacements to bring the buildings/structures to satisfactory standard. It is estimated that \$3.6M is required each year for renewal of assets.

With the adoption of an Asset Management plan, the life cycle costs for the assets will be determined more accurately. It is calculated that \$2.05M pa will be required for the replacement of assets.

#### *Estimate of cost to maintain at that standard*

In order to determine the cost to maintain the buildings/structures to desirable standards, a formula has been applied based upon the replacement value and a scaled factor depending upon age.

**Table 2: Factors used to determine building maintenance**

Value	Age of building	% of valuation to maintain Standard
1	1 to 10	1
2	10 to 30 years old	1.5
3	over 30 years old	2.0

It is recognised that this remains an estimate and that more accurate assessments will be made in the future. The estimate to maintain Council's assets at satisfactory standard is \$1.7M pa.

#### *Renewals / Maintenance Program 2008/09*

Council expenditure on buildings and other structures for the past year was \$951,000. This is the actual maintenance expense for 2008/09. Council also spent \$648,000 on renewals and replacements for the year.

The figures shown may not include maintenance carried out by external parties such as the Rural Fire Service and independent organisations in the case of leased facilities.

# Eurobodalla Shire Council

## Special Schedule No. 7 - Condition of Public Works as at 30 June 2009

### Commentary

#### Roads

Roads are an integral component of the Shire's transport network. Council is the primary provider of roads throughout the Shire. These range from roads that serve individual properties (classified as local roads) to arterial or distributor roads that provide linkages between communities and main centres. The majority of these roads are within urban areas and sealed. As well as these Council assets, the Princes Highway and Kings Highway also run through the Shire. Both of these are the responsibility of the NSW Government through the NSW Roads and Traffic Authority.

Typically, Council designs its roads for a life of 50 years. With the significant growth of the Shire in the 1960's, there was a corresponding increase in the amount of road assets becoming the responsibility of Council. These are now approaching the end of their design life and therefore creating new challenges for Council. To assist in the satisfactory management of road assets, recent developments have been encouraged to provide private roads where there is little public use.

To better manage the network, in a co-ordinated and planned way, Council has commenced preparation of a Transport Asset Management Plan. This will identify a program of works required to effectively manage the network and the financial costs to manage that program.

A key component of this work was an overhaul of our road asset database. A revised database has been developed, based on more accurate segment data.

One of the outcomes of this was a revised quantity of road assets. This has significant implications for future financial management of the assets. The variations are identified in the following table:

	2007/08		2008/09	
	Length	Area	Length	Area
Sealed	482		Sealed	482
Urban	295	2,303,200	Urban	295
Rural	187	1,206,454	Rural	187
Unsealed	452		Unsealed	452
Urban		36,682	Urban	
Rural		1,928,088	Rural	
Regional	56	486,165	Regional	56

In addition to this revision to the total road length, Council acquired 3.6km of new road through subdivision.

To ensure adequate knowledge of the rate of any change in the condition of our roads, it was proposed in 1996 that condition surveys would be undertaken every 5 years. An initial survey of the sealed road network had been undertaken in 1994, with the results shown below (Figure 2).

Fig 1: Sealed Road Condition Profile 2007

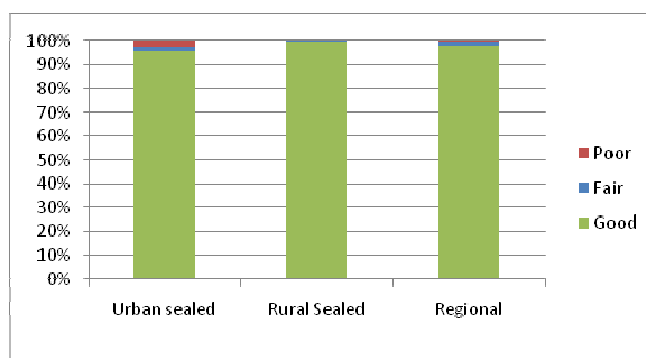


Fig 2: Condition of Roads (1994)

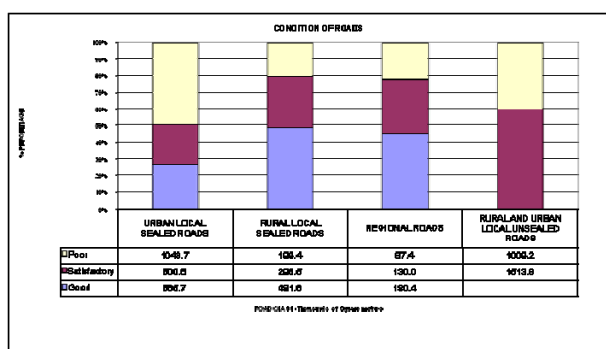
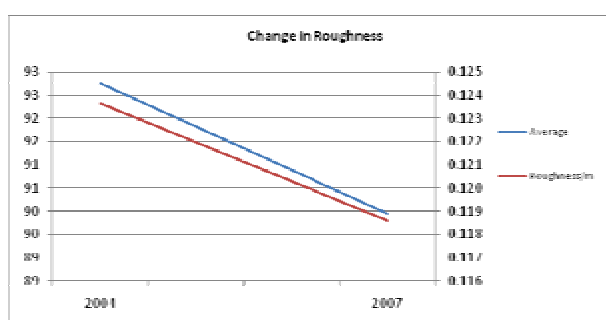


Fig 3: Change in Roughness



Unfortunately, constraints have not allowed further detailed surveys to occur on a regular basis. A partial assessment was undertaken in 2004 when the roughness of a sample of the road network was determined using a vehicle based recording system. A broader assessment of Council's sealed network was undertaken during 2007/08, using a vehicle based laser system. The information from this survey was entered into Council's Pavement Management System to obtain an overall condition rating of the sealed network. The results obtained from the 2007 survey are indicated below in Figure 1.



## Eurobodalla Shire Council

### Special Schedule No. 7 - Condition of Public Works

as at 30 June 2009

#### Commentary

Due to the difference in the collection methods and the categorisation, it is not possible to undertake a direct comparison between the surveys. To assist in the understanding of the change in the characteristics of the local roads, a comparison of the roughness of the roads was undertaken. The results of this are indicated in Figure 3.

In respect of the unsealed network no surveys were undertaken, rather the percentages in each category were assumed.

#### Local Roads

##### *Data*

Council has under its care and control some 513 km of sealed road and 430 km of unsealed road. These currently have a written down value of \$139.6 million. In addition, Council is also responsible for \$16.2 million of ancillary facilities that includes carparks, footpaths, shared paths and street furniture.

As identified above, not all of the roads in the Shire are at the standard that council and the community would desire. In particular, there are a significant number of road sections that were constructed during the 1960's that are below currently accepted standard. To address this issue, Council has embarked on a policy of reconstructing urban roads based on an adopted pointscore system. This system assesses roads and prioritises them based on issues such as traffic volumes, road safety, current width, etc.

Since 1996, the area of unsealed local road has decreased by 3,670 sq.m due to upgrading and dust sealing. In addition to this increase in the length of sealed road Council is responsible for, there has been significant development of the urban areas, resulting in an overall increase in the amount of road assets. In the intervening years, the total area of sealed road that Council is responsible for has increased by 120,667 sq m.

Whilst a concerted indentation into the backlog of roads requiring upgrading has been made in recent years, there is still some 6% of urban road edges without kerb and gutter and 24km or 7% of urban roads unsealed.

Further sections of rural roads exist with houses adjacent to unsealed sections.

##### *Significant Works*

During the year, Council undertook the following projects:

- Completion of the construction of George Bass Drive from Sunshine Bay Road to Beach Road including the relocation of the George Bass Drive and Surf Beach Ave (now known as Tallgums Way) intersection
- Rehabilitation of George Bass Drive between Glenella Rd and Sunshine Bay Road
- Realignment of the Beach Road and Glenella Road intersection
- Reconstruction of Joseph St, Batehaven

- Completion of the reconstruction of Dunns Creek Road
- Commencement of the realignment and raising of South Head Road between Congo Road and Halyard Dr
- Commenced the reconstruction of Charles Moffit Drive, South Head
- Rehabilitation of Campbell St, Moruya between Vulcan St and Page St
- Rehabilitation of sections of Eurobodalla Road, Bodalla
- Completion of the upgrading/reconstruction of Bondi and Foam Streets, Tuross Head
- Reconstruction of Hadrill Parade, (part)William Street and Ocean Parade, Dalmeny
- Resealed km of sealed roads
- Resheeted 22.6km of gravel roads

In an effort to expedite the sealing of the unsealed roads it is Council's practice to undertake low-cost dust sealing of identified roads. During 2008/09 dust seals were primarily undertaken on the approaches to causeways, in particular along Araluen Road. These dust seals have a life expectancy of five to ten years, and will provide welcome relief to residents and users.

Council continues to apply approximately \$300,000 pa from the Roads to Recovery funding to the reconstruction or resealing of local roads to accelerate the rate of works each year.

##### *Condition at 30/06/09*

As identified above, there are still some 25.6% of roads in urban areas that are below an acceptable construction standard whilst a further 12.7km are unsealed.

The condition survey undertaken in 2007, identified that 96% of our sealed road network can be classified as good, according the adopted classification in the SMEC Pavement Management System, with only 2% as poor.

Whilst there has been a noticeable increase in the amount of road constructed within the last 10 years, a significant portion of our network was constructed in the 1960's when significant growth in the Shire occurred. These are now reaching the end of their design life and are therefore causing increasing demand on Council.

##### *Estimated Cost to bring to satisfactory standard (Current \$)*

##### *Urban sealed local roads.*

It has been assumed that, generally, urban roads need to have kerb and gutter or edge strip before they can be considered to be in satisfactory condition. This assumption has however not been applied where it is expected that development in the road will pay for the installation of the kerb and gutter, or where the level of development in the road will never warrant such an improvement.

For the 99.7km of the urban road network that does not have full kerb and guttering and have been identified as requiring

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"upgrading", it has been calculated the cost of upgrading these roads will be in the order of \$75.0 million. Of these roads, 46.6 km of road sections have been identified as being the responsibility of Council, not the subject of other developments and requiring kerb and gutter. It is estimated that it will cost \$37.5M to upgrade these sections of road.

For the remainder of the urban sealed network it has been assumed that resealing and remedial work, at a cost of \$2.95 and \$45.00 per m<sup>2</sup> respectively, will be required to bring the poor condition roads up to a satisfactory standard.

As can be seen from the above graphs, 29% of the urban sealed network is considered to be in a poor condition, due to lack of kerb and gutter, drainage, pavement width or condition. It is estimated that the cost to improve all of Council's urban sealed road network to a satisfactory standard is \$24.0 million.

#### Rural sealed local roads

As can be seen from Figure 1, 1% of the rural sealed network was assessed as being in poor condition.

The work required to bring this 1% up to a satisfactory condition is rehabilitation at a cost of \$30 per m<sup>2</sup>. This work will provide for pavement strengthening and increased seal width. The cost to achieve a satisfactory road standard is estimated to be \$0.35 million.

#### Unsealed local roads (Urban and Rural)

As can be seen from the above graph, in 1996 some 40% of the unsealed network was assessed as being in poor condition. Significant improvements to the gravel network have been made by implementation of a grading schedule and the application of "Roads to Recovery" funds but it is still considered that due to uncontrolled factors such as weather, etc, this has not changed significantly.

The work required to bring this 40% up to a satisfactory condition is resheeting at a cost of \$7.50 per sq. m. requires an expenditure of the order of \$5.9 million to achieve.

#### Estimate Annual Capital Renewals / Replacements

Renewals and replacement is where the asset can no longer perform its function and intervention is required to allow it to continue functioning. This renewal work can be triggered by failure but it is preferable that it is initiated by intervention. This renewal is commonly known as rehabilitation. Road pavements are generally designed to perform adequately for 40 years. Therefore, it can be expected that it will need to be renewed after 40 years. On this basis therefore, allowance should be made to renew some 2.5% of the network each year.

To gain the life expectancy of a road, it is necessary to replace the surface coating on a regular basis. This is often done by resealing the existing pavement, which renews the surface coating and provides a new wearing course. This work could be considered

renewals, but it is felt that it is more appropriately considered as maintenance as it allows the asset to continue functioning until the pavement structure is no longer capable of carrying out its function.

Analysis of Council's operating costs indicates that rehabilitation of an urban road will be at a unit cost of \$45.00 per m<sup>2</sup> whilst for a rural road it is estimated that it will cost \$30 per m<sup>2</sup>. Based on the overall area of the network, to adequately renew the network Council should be expending \$1.75 million per annum on renewal of its urban road assets and \$0.8 million on its rural sealed network.

To maintain the unsealed network in a satisfactory condition it is necessary to resheet it every 12 years at a unit cost of \$7.50 per m<sup>2</sup>. Therefore for unsealed roads Council should be spending \$1.2 million in resheeting each year.

#### Estimate of cost to maintain at that standard

#### Urban sealed local roads.

As identified above, to maintain an urban sealed network in a satisfactory condition it is necessary to reseal it on a regular basis. Industry standards are that resealing should be undertaken every 7-10 years (at a unit rate of \$2.95 per m<sup>2</sup>).

As well as the annual renewal program, failures of portions of the network occur. It is assumed that 0.5% of the network will fail and need partial replacement at a cost of \$45 per m<sup>2</sup>.

Routine maintenance also needs to be carried out. It has been assumed that the rate per km should be 20% higher than the current actual expenditure, in order to maintain a satisfactory condition. A unit cost of \$4,500 per km has been used.

Therefore, the following maintenance funding would be required to maintain the network at a satisfactory standard:

Table 3: Required Maintenance Funding for Urban Sealed roads

Reseals	\$ 650,168
Rehabilitation	\$ 595,069
Routine maintenance	<u>\$ 1,526,895</u>
Total	<u>\$ 2,772,133</u>

#### Rural sealed local roads

To maintain the rural sealed network in a satisfactory condition it is necessary to reseal it every 12 years at a unit rate of \$2.75 per m<sup>2</sup>. As a road has a design life of 40 years it will also be necessary to provide for rehabilitation at a rate of 2.5% of the network per year at a unit cost of \$30 per m<sup>2</sup>.

As well as the annual renewal program, failures of portions of the network occur. It is assumed that 0.5% of the network will fail and need partial replacement at a cost of \$30 per m<sup>2</sup>.

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Routine maintenance also needs to be carried out. It has been assumed that the rate per km. should be 20% higher than the current actual expenditure, in order to maintain a satisfactory condition. A unit cost of \$1,600 per km has been used.

Therefore, the following maintenance funding would be required to maintain a satisfactory standard:

Table 4: Required Maintenance Funding for Rural Sealed roads

Reseals	\$ 409,945
Rehabilitation	\$ 250,136
Routine maintenance	<u>\$ 394,864</u>
Total	\$ 1,054,945

### Unsealed local roads (Urban and Rural)

To maintain the unsealed road network at a satisfactory level of service, gravel resheeting needs to occur on a regular basis. As this reconstructs the pavement this is considered as a cost to bring to a satisfactory standard.

Routine maintenance, including grading of pavements, needs to be carried out. It has been assumed that the rate per km. should be 20% higher than the current actual expenditure, in order to maintain a satisfactory condition. A unit cost of \$1,350 per km has been used.

Therefore maintenance funding of \$580,230 per annum should be provided to maintain this standard.

### Renewals / Maintenance Program 2008/09

Refer to the summary table for the actual expenditures for 2008/09.

### Regional Roads

Regional roads are those roads funded by the Roads and Traffic Authority (RTA). These roads are considered the most important roads in the Shire after the Highways, which are also funded by the RTA. A higher standard of maintenance and construction is therefore expected.

In urban areas, the central 6.2m of pavement is funded by the RTA whilst in rural areas the full width of the sealed pavement is funded.

### Data

The identified Regional Roads are:

- Cullendulla Dr
- Beach Rd/George Bass Drive/North Head Rd
- Hector McWilliam Dr
- Dalmeny Dr, and
- Wallaga Lake Rd

### Condition at 30/06/09

As with Council's local roads, a detailed road survey was undertaken during 2007/08. Based on the SMEC rating, 98% of our regional roads are in a good condition, with only 1% identified as being poor.

### Estimated Cost to bring to satisfactory standard (Current \$)

The work required to bring this 1% up to a satisfactory condition is rehabilitation at a cost of \$45.00 per m<sup>2</sup>. This work will provide for pavement strengthening and increased seal width in those rural areas. This would require an expenditure of \$0.2 million.

### Estimated Annual Capital Renewals / Replacements

As noted for other road types, a renewal program should be undertaken to ensure roads are replaced prior to significant failure. As a road has a design life of 40 years it will be necessary to provide for rehabilitation at a rate of 2.5% of the network per year at a unit cost of \$45 per m<sup>2</sup>. This equates to \$0.6 million per annum.

### Estimate of cost to maintain at that standard

To maintain the regional road network in a satisfactory condition it is necessary to reseal it every 7 years at a unit rate of \$2.75 per m<sup>2</sup>.

As noted for urban roads, some routine failures can be expected. This is allowed for at 0.5% of the network. Rehabilitation is at a rate of \$45.00 per m<sup>2</sup>.

Routine maintenance also needs to be carried out. It has been assumed that the current rate per km. of approximately \$4,500 is adequate.

Table 6: Required Maintenance Funding for Regional Roads

Reseal	\$ 204,663
Rehabilitation	\$ 117,216
Routine maintenance	<u>\$ 281,970</u>
Total	\$ 603,850

### Renewals / Maintenance Program 2008/09

Refer to the summary table for the actual expenditures for 2008/09.

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### Bridges

Council manages the replacement, renewal and maintenance of 222 major structures within the Shire that are used for crossing waterways and gullies. The maintenance of these bridges and culverts is critical, as they are often the only connection that rural dwellings have with the wider community and services.

As with all assets, the average life of the different components of an asset can vary considerably. This is particularly so for bridges. In the case of timber bridges, the deck often only has a 10-year life; girders are assumed to have a life of 20 years whilst piles are assumed to have a life of 40 years.

The overall assessment of required maintenance / renewal of bridges will by nature vary from year to year, as the assets will be fit for purpose until it is identified that a component is in need of repair or replacement. Some years the level of required work will be quite high and if completed the next 2 years may have very little work required. Over the life of the asset, all of the components of the asset will reach the point of requiring replacement /renewal to ensure that the bridge continues to remain safe for use.

The effective life of concrete components is affected by the proximity to the sea with salt air contributing to a much faster rate of deterioration.

Annual maintenance inspections are conducted for all timber bridges with a detailed condition assessment undertaken every 3 years. For concrete bridges, this assessment is undertaken every 5 years.

To ensure the continued safety of users, Council undertakes a more rigorous maintenance and inspection program for those assets identified as in poor condition. Load restrictions can also be implemented to ensure the continuing safe use of the asset.

Improvements to asset management programs have been undertaken in recent years that have delivered better information about the components of the bridge assets including assessing their life expectancy and load capacity. One outcome of this is the development of a Condition Rating score system for their upgrading or replacement.

### Data

As identified above Council is responsible for 222 major assets. Of these 114 are bridges or major culverts.

These are detailed in the following table.

**Table 7: Major bridges managed and maintained by Council**

	Number	Length (m)
Concrete		
Urban	20	227.5
Non-urban	56	678.7
	76	906
Timber		
Non-urban	38	806.6
	38	807

Included in the list of assets are 6 concrete bridges located on Regional Roads managed by Council as well as 4 timber bridges that are owned by Council but maintained by others.

There are 62 causeways in the shire which form part of the road structure. For the purposes of this report, these are included in the value of the roads

Council is also responsible for 3 boardwalks and 11 footbridges in the Shire. These are, for the purposes of this report, included with the asset on which they fall, i.e. if in a road reserve they are included in the value of road infrastructure; if within a recreation area or reserve they are included in the value of Buildings & Structures component of this report.

### Significant Works

During 2008/09 Council undertook the following projects:

- Dunns Creek Road, completion of replacement of a timber bridge with a two lane concrete bridge
- Knowles Creek, completion of replacement of a timber bridge with a concrete structure
- River Road, Nelligen, causeway widening
- Kianga Creek bridge, extensive concrete repairs
- Underpass & Tally-Ho timber bridge replacements with concrete box culvert structures
- Punkally Bridge, replacement of timber substructures with concrete and renewal of timber superstructure completed
- Old Hall and Waterfall Creek, commenced replacement of timber bridges with concrete box culverts

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### *Condition at 30/06/09*

A detailed assessment of the condition, lifecycle and maintenance costs of bridges was again undertaken during 2008/09. This assessment is based on Condition Ratings in accordance with VicRoads methodology. The ratings are determined by a combination of visual assessment and drill testing. Due to the significant effort required, the assessment is undertaken for timber bridges every 3 years in conjunction with routine coring.

Council's timber bridge assets are generally older and in poorer condition than the relatively newer concrete structures. The majority of timber bridges are over 40 years old with the residual life remaining in the bridges varying between 5 to 40 years<sup>1</sup>.

The main components of bridges that are of poor condition are piles and abutments.

In 2008, two of the 24 concrete bridges were in a poor condition whilst the remaining 22 structures were in fair condition or better.

Allowing for these replacements, the following assessment is made

**Table 7: Condition Survey**

Condition	Timber Bridges	Concrete Bridges	Culverts	Total
As New	6	12	43	61
Good	8	7		15
Fair	8	3	9	20
Poor	16	2		18
Total	38	24	52	114
% Satisfactory	58%	92%	100%	84%

### *Estimated Cost to bring to satisfactory standard (Current \$)*

Council has determined that a satisfactory standard requires suitable deck levels, widths, structural condition, approaches, and alignments to be in place.

#### *Timber bridges*

The estimate to bring the timber bridges up to a satisfactory standard at 30 June 2009 is \$700,000. However, Council will need to continue to invest in bridge renewals as it is expected that over the next 25 years another \$4.8 million (not including the \$700,000) will be required to be invested to ensure timber bridge assets remain at required standards.

In 2005, Council identified that it would be more economical over the life of its bridge assets to replace 14 timber bridges with concrete bridges or box culverts. A program of works was developed for a five-year period to undertake this work at a cost of \$4.46 million. If council had decided to replace or repair/renew

components in those bridges this would have cost \$1.75 million, however the additional \$2.7 million investment will allow replacement with concrete structures, which will have a much longer life (80 years on average compared to 30 years on average for timber), and reduced ongoing maintenance requirements.

The replacements will also provide a higher level of service through increased travel comfort and, for the majority of these bridges, improved pavement width or flood mitigation benefit.

Some of these replacement works have been undertaken since then. The remaining bridges identified for replacement are indicated in Table 8 below.

**Table 8: Timber Bridges identified for Replacement**

Cowdroys	Glen Eden*
Wamban	

\*To be upgraded to 2-lane width on replacement.

### *Concrete Bridges*

As identified above, two of Council's 24 concrete bridges are classified as poor or below at the last assessment. Repair of these bridges is planned for 2009/10.

It is estimated that Council will require a total of \$423,000 to be spent to bring our concrete bridges to a satisfactory standard. The treatments will include treatment for corrosion of reinforcement in the bridges, bridge deck repairs and silane treatment to protect from chloride ingress.

Council will need to continually invest in bridge renewals/replacements as it is expected that over the next 25 years another \$362,000 (not including the \$423,000 backlog) will be required to be invested to ensure concrete bridge assets remain at required standards.

### *Culverts*

The condition of the 9 timber beam culverts is considered satisfactory.

The remaining concrete culverts are also considered satisfactory.

### *Estimate Annual Capital Renewals / Replacements*

As already described above, it is estimated that \$6.3 million will be required in the next 25 years to renew assets to serviceable standards as various components of the bridges reach the end of their useful life (see Chart 2). This is made up of \$5.5 million on timber bridges and \$785,000 on concrete bridges.

<sup>1</sup> based on the Department of Local Government Asset Management Guideline Update No. 4 (July 1999)



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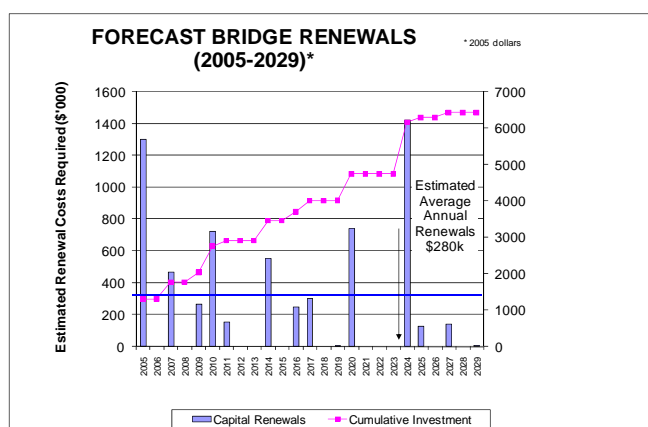
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Chart 2 illustrates the 'expected' levels of investment required over the life of existing bridges that was calculated in 2008. The anticipated level of expenditure has not changed significantly.

Chart 2: Forecast Bridge Renewals 2005-2029 at 30/6/05



Through the introduction of the Infrastructure Fund in 2003/04 Council allocated an additional \$350,000 per annum to the replacement of existing bridges and culverts.

On average over the 25-year program \$255,000 per year will need to be applied to asset replacement/renewals (\$200k on timber bridges and \$55k on concrete bridges). In reality, the amounts needed from year to year will vary in concert with the level of work required as indicated in Chart 2 and will also be influenced by the decision of Council to replace timber bridges with concrete bridges, vastly changing the lifecycle and maintenance profile of these assets. These changes will be addressed each year in this report as they occur.

#### *Estimate of cost to maintain at that standard*

Concrete bridges initially cost more to construct than timber bridges. However, timber bridges cost much more to maintain and will generally require major renewal of components at more regular intervals than for most concrete structures.

Council will also be required to continue to spend on general maintenance (above the amount of capital renewals identified above) in the order \$122,000 (concrete \$22,000, timber \$78,000 and culverts \$22,000).

It is anticipated that average annual expenditure for inspection and minor maintenance of bridges will be around \$108,000.

#### *Renewals / Maintenance Program 2008/09*

Council's expenditure on bridge renewals was \$659,000.

Expenditure on maintenance for the past year was \$187,000.

## Cycleways and Footpaths

Like roads, footpaths and cycleways are a means of movement.

Traditionally footpaths were constructed 1.2m wide. With time, the allowable uses have changed, with children now allowed to ride on footpaths whereas this was previously prohibited. To allow for this, Council has determined that all footpaths will be constructed 1.5m wide. With regard to cycleways and shared paths, Australian Design guidelines require these to be a minimum of 2.5m wide where possible.

To assist Council in the appropriate upgrading of its networks, Council had a Footpath Strategy and a Bike Plan prepared in 1999. These have been reviewed and a new Shared Path Strategy developed. The review combines the two previous documents into one co-ordinated document that address such areas as networks, safety, etc. This document will address the needs of the Shire and identify works to be undertaken in both the short and long-term. A feature of this document is the identification of networks that will lead to focal points and encourage use by providing connections between areas.

To assist in the provision of an integrated network, in its Development Specification, Council has adopted a requirement that a footpath be provided along one side of all new roads and all linkages be concreted.

It is accepted that not all of the footpaths and cycleways in the Shire are at the standard that council and the community would desire. In the interest of reducing Council's exposure to risk, footpaths and shared cycleways are inspected on a routine basis throughout the year and their condition assessed.

To assist in the proper management of the network, the preparation of an Asset Management Plan for transport facilities has been commenced. This will include footpaths and cycleways.

A component of this Asset Management Plan is the identification of Levels of Service. For high-use paths such as in CBDs, an increased level of service has been proposed as compared to paths in generally residential areas.

With the continued provision of funding for the NSW Coastal Cycleway, grant funding has been gained for a number of sections of the route. Whilst Council is attempting to provide as much of the route through the Shire as possible, Council's main focus recently for these funds has been the Kianga-Dalmeny Cycleway.

It was calculated the cost of constructing all the outstanding footpaths, as identified in the previous Footpath Strategy, would be \$2,500,000, whilst for cycleways it was calculated at \$1,940,000. With the current review of the strategies, it is anticipated that revised estimates will be available during the forthcoming year.

#### Data

Council's register of assets indicates that it is responsible for 59.3km of footpaths within the Shire. Council, developers and the

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community have constructed these over a number of years from a variety of materials, to differing standards and of varying widths. Council is also responsible for 27.9km of cycleways and shared paths.

Due to the different widths of the components of the network, the total area of footpaths and cycleways that Council is responsible for is 178,698 sq m.

#### *Significant Works*

During the year, Council continued to contribute to the shared pathways at Tuross Head, South Head and Dalmeny/Kianga that are being constructed by the local community. The Dalmeny to Kianga Path has continued to be the significant focus for the year with approximately 6km of the 7.2km pathway completed.

In respect of other routes, Council continued to develop the Broulee Cyclepath. At the end of the year, the path has been completed from Heath Street to Candalagan Creek. As well, Council undertook the replacement of bitumen sections of the Batemans Bay Cyclepath at Hanging Rock with concrete.

#### *Condition at 30/06/09*

Footpaths and pathways, like roads, can be classified as to their condition. Unlike roads though, it is often difficult to replace just a failed section or a defect and therefore the replacement cost is much higher per section. Conversely, the depreciated value of a footpath is much lower, on a per meter basis, than the rate for roads.

On-going assessment of Council's cycle network indicated that 2% of the total area was classed as poor with the remainder satisfactory. In regards to footpaths, it has been assumed that 5% of the total area of existing footpath was classed as poor with the remainder satisfactory

#### *Estimate of Cost to bring to satisfactory standard (Current \$)*

##### **Footpaths**

For the existing network, it has been assumed that remedial work, at a cost varying between \$12.00 and \$150.00 per sq m, depending on the type of work, will be required to bring the poor condition footpaths up to a satisfactory standard. It is estimated that the total cost will be in the order of \$0.24M.

##### **Cycleways**

For the existing network, it has been assumed that remedial work, at a cost varying between \$12.00 and \$150.00 per sq m, depending on the type of work, will be required to bring the poor condition cycleways up to a satisfactory standard. Based on 2% of the total area of the network, it is estimated that the total cost will be in the order of \$0.18M

#### *Estimated Annual Capital Renewals / Replacements*

Footpaths and cycleways have been generally constructed from concrete to increase the life of the asset and reduce the

maintenance required. As a result, a life expectancy for these assets cannot be provided.

It is recognised that a renewals program will be required in the future; currently it is considered adequate that sections of the network be replaced as they fail to provide the level of service required. To this end, replacement or renewals are considered in the maintenance component outlined below.

#### *Estimate of cost to maintain at that standard*

Unlike roads, a footpath or cycleway will generally need to be replaced when it fails. Their maintenance is largely dependent on the type of construction. Ancillary maintenance includes clearing of adjacent vegetation, sweeping, and renewal of markings.

##### **Footpaths**

Unlike roads, concrete paths are not designed for a particular life expectancy. For the purposes of this report, it is assumed that a path will be replaced every 40 years in conjunction with the reconstruction of the adjacent road. Even though some capacity exists for grinding of lifts and the like in the interim, it is assumed that the primary method will be replacement. It is estimated that 0.5% of the total network will be treated this way in a year. For the remainder of the network, replacement of 2.5% of the entire network will be required each year. The unit rates adopted for this work is \$150.00 per m<sup>2</sup> for replacement and \$12.00 for grinding.

To maintain the sealed network in a satisfactory condition it is necessary to either reseal it every 12 years at a unit rate of \$12.50 per m<sup>2</sup> where the surface is a flush seal or every 40 years where the surface is asphalt. This would be done with an asphalt overlay, as with roads, at a unit cost of \$46.00 per m<sup>2</sup>.

Routine maintenance also needs to be carried out. It has been assumed that the rate per km should be 20% higher than the current actual expenditure, in order to maintain a satisfactory condition. A unit cost of \$1,700 per km has been used.

Table 9: Required Funding for Footpaths

Reconstruction	\$ 318,681
Resurfacing	\$ 9,176
Routine maintenance	\$ 100,743
Total	\$ 428,600

##### **Cycleways**

Generally, cycleways are constructed from concrete and, as with concrete footpaths, they are not designed for a particular life expectancy. As identified in the previous section, renewal is done by the replacement of sections that have failed rather than whole routes or sections. For the purposes of this report, it is assumed that 2.5% of the network will be replaced every year, as with footpaths. The unit rate adopted for this work is \$150.00 per m<sup>2</sup>.

To maintain the sealed part of the network in a satisfactory condition it is necessary to either reseal it every 12 years at a unit



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rate of \$12.5 per m<sup>2</sup> where the surface is a flush seal or every 40 years where it is an asphalt pavement, at a unit cost of \$45.00 per m<sup>2</sup>.

Routine maintenance also needs to be carried out. A unit cost of \$1,700 per km has been used.

Table 10: Required Funding for Cycleways

Reconstruction	\$ 172,560
Resurfacing	\$ 14,149
Routine maintenance	\$ 47,393
Total	\$ 234,102

#### *Renewals / Maintenance Program 2008/09*

Refer to the summary table for the actual expenditures for 2008/09.

#### Carparking

Council is endeavouring to provide an integrated transport network in conjunction with the road network, Council provides car parking facilities within the main population centres as well as venues and locations that have significant public usage.

Typically, Council designs its carparks for roads for a minimum life of 40 years. Many of the existing facilities were developed in the 1970's at a time of significant growth and are now approaching the end of their design life and therefore creating new challenges for Council.

To better manage the network, in a co-ordinated and planned way, Council has commenced preparation of a Transport Asset Management Plan. This will identify a program of works required to effectively manage the network and the financial costs to manage that program.

A key component of this work was an overhaul of our carpark database. The revised database incorporates more accurate segment data.

#### *Data*

Council has under its care and control 196,038 sq. m of sealed carparks and 34,398 sq. m of unsealed carparks. Together these provide 5,433 carparking spaces. These currently have a written down value of \$2.5 million.

#### *Significant Works*

During the year, Council undertook the redevelopment of the foreshore areas of Batemans Bay, removing a significant amount of carparking east of the bridge. This has been replaced with increased carparking west of the bridge which was developed during 2007/08.

Other works included:

- Reconstruction of the carparking in Corrigans Reserve
- Upgrading and redevelopment of the carparking bounded by Church, Ford and Queen Streets, Moruya

#### *Condition at 30/06/09*

No detailed condition data has been recorded during the year. The previous data has been assumed to be still applicable – 91% of the carparking area is assumed to be satisfactory.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

For the sealed network it has been assumed that resealing and remedial work, at a cost of \$2.86 and \$17.5 per m<sup>2</sup> respectively, will be required to bring the poor condition carparks up to a satisfactory standard. It is estimated that the cost to improve the entire sealed network to a satisfactory standard is \$24,000.

The work required to bring the unsealed network up to a satisfactory condition is resheeting at a cost of \$7.50 per square meter which would require expenditure of \$103,000 to achieve.

#### *Estimate Annual Capital Renewals / Replacements*

Renewals and replacement is where the asset can no longer perform its function and intervention is required to allow it to continue functioning. This renewal work can be triggered by failure but it is preferable that it is initiated by intervention. This renewal is commonly known as rehabilitation. Road pavements are generally designed to perform adequately for 40 years. Therefore, it can be expected that it will need to be renewed after 40 years. On this basis therefore, allowance should be made to renew some 2.5% of the network each year.

To gain the life expectancy, it is necessary to replace the surface coating on a regular basis. This is often done by resealing the existing pavement, which renews the surface coating and provides a new wearing course.

Analysis of Council's operating costs indicates that rehabilitation will be at a unit cost of \$45.00 per m<sup>2</sup>. Based on the overall area of the network, to adequately renew the network Council should be expending \$220,000 per annum on renewal of its sealed carparking assets.

To maintain the unsealed network in a satisfactory condition it is necessary to resheet it every 12 years at a unit cost of \$7.50 per m<sup>2</sup>. Therefore for unsealed carparks, Council should be spending \$21,500 in resheeting each year.

#### *Estimate of cost to maintain at that standard*

#### *Sealed carparks*

As identified above, to maintain a sealed network in a satisfactory condition it is necessary to reseal it on a regular basis. Industry standards are that resealing should be undertaken every 10-15 years (at a unit rate of \$2.95 per m<sup>2</sup>).

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As well as the annual renewal program, failures of portions of the network occur. It is assumed that 0.5% of the network will fail and need partial replacement at a cost of \$45 per m<sup>2</sup>.

Routine maintenance also needs to be carried out.

It is estimated that maintenance funding of \$480,000 would be required to maintain the network at a satisfactory standard.

#### Unsealed carparks

To maintain the unsealed network at a satisfactory level of service, gravel resheeting needs to occur on a regular basis. As this reconstructs the pavement this is considered as a cost to bring to a satisfactory standard.

Routine maintenance, including grading of pavements, needs to be carried out. It has been assumed that the rate per km. should be 20% higher than the current actual expenditure, in order to maintain a satisfactory condition. A unit cost of \$1,350 per km has been used.

Therefore maintenance funding of \$601,729 per annum should be provided to maintain this standard.

#### Renewals / Maintenance Program 2008/09

Refer to the summary table for the actual expenditures for 2008/09.

### Waterway Infrastructure

Council has an integrated network of boat ramps, wharves and jetties throughout the Shire. These provide facilities for the recreational boater and commercial operations alike.

Council is also responsible for some of the rock walling along banks of the main rivers of the Shire. Council is responsible for the rock walls upstream of the Batemans Bay Marina and along Wagonga Inlet at Narooma. It is noted that the river training walls for the Clyde and Moruya Rivers and Wagonga Inlet are not the responsibility of Council and that the rockwalls along the Moruya River are classified as flood control structures and their maintenance is partly funded by an annual maintenance grant from the Department of Environment and Climate Change.

Additional to this is the increasing amount of bank stabilisation works being undertaken to protect estuarine areas. It is proposed to develop a database of these works to allow an asset management plan to be developed.

To appropriately manage the network both current and in the future, it is proposed to prepare an Asset Management Plan as with other Council Assets. This will identify a program of works required to most effectively manage the network and the financial costs to manage that program. This will complement Council's Strategy for Wharves, Jetties and Boat Ramps, which was prepared in 2002.

#### Data

Council has under its care and control 18 wharves and jetties, 25 formed boat ramps and a number of unformed/informal boat ramps throughout the shire.

It is estimated that Council is responsible for approximately 9.5km of rockwall. This is based on aerial photos as no asset database has yet been developed.

#### Significant Works

During the year, the redevelopment of the existing ramps on the western bank of the Clyde River at Nelligen was completed. Work was also commenced on the upgrading of the existing ramps on the eastern side of the river.

Upgrading and renewal work was done on the ocean ramps at Cookies Beach (Durras) and Cresswick Cove (Dalmeny).

#### Condition at 30/06/09

As part of the development of the strategy for these assets that was prepared in 2002, a visual survey of their condition was undertaken and the assets categorised as good, average or poor. The assessment included such factors as width of ramp, adequate signage, provision of related facilities (toilets, bins, tables, etc), adequacy of parking, availability of wash-down facilities and condition of the ramp. This rating has been updated as works have been undertaken in subsequent years.

In respect of ramps, 8 (26%) were classified as good, 3 (10%) as poor with the remainder classified as average. There has been no significant change to these condition levels apart from the construction works undertaken.

Of the wharves and jetties, 5 (33%) were classified as good, 2 (13%) as poor, with the remainder classified as average. Since the classification of the structures for the Strategy, the Coalbunker Wharf has been closed due to its condition.

In addition to the rating of the wharves, boring of the timber components of a number of wharves has been undertaken to assess their structural strength.

Rock lining of rivers and foreshores was included for the first time in the breakdown of assets from 2003/04. No condition assessments have been undertaken at this stage. This is proposed for future years.

#### Estimate of Cost to bring to satisfactory standard (Current \$)

In accordance with other accepted practices, it is accepted that the following targets should be aimed for:

Good:	25%
Average:	75%

As part of the development of the Waterway Infrastructure Strategy, estimates were prepared to improve the standard of current assets to meet those targets.

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It is estimated that to improve a ramp from poor to average will cost \$22,500 per asset with a further \$27,500 to increase it from average to good. This includes resurfacing, provision of parking and provision of associated facilities. Based on these estimated amounts, \$300,000 will be required to bring the ramp network to the target levels.

Unlike ramps, wharves cannot be estimated on a per unit basis as cost is based on the area of the facility. Estimates have been prepared for the improvement of those wharves classed poor, although it is considered a better option to reconstruct or replace the wharf. It has been estimated that it will cost \$275,000 to improve the wharves/jetties that are currently classified as poor.

It is recognised that this remains an estimate and that, where possible, more accurate assessments will be made in the future.

Rock walls are difficult to be classified as good or poor. Typical failure is slumping or erosion. From an ecological perspective, it the disturbance of the integrity of the existing structure is not supported due to the loss of habitat and other negative impacts. Until an accurate determination of the amount of rock and their capacity to function adequately, no estimate can be provided.

#### *Estimate Annual Capital Renewals / Replacements*

Most water-based infrastructure has been designed with a minimum lifespan of 50 years. Whilst this can be routinely achieved with concrete structures, the life expectancy of timber structures can be highly variable given the nature of the materials and the changing conditions they are in. The accepted position is that around 2% of the network will require replacement during any given year.

Based on current practice of renewing a jetty every year, it is estimated that \$60,000 per annum should be spent of capital renewals.

In regard to boat ramps, the structure has a lifespan in excess of 50 years and cannot be replaced in isolation. As the lifespan of a concrete ramp is assumed in excess of 50 years, it is estimated that \$100,000 per annum should be spent of capital renewals.

Rockwalls are structures that also cannot have individual components replaced, rather they require either total replacement or extension (such as filling between the wall and the natural ground or extending the length). There has been no history of failure requiring full replacement, rather most of the work undertaken can be considered as maintenance.

As there is no condition assessment, no allocation for renewals can be made.

#### *Estimate of cost to maintain at that standard*

The cost of maintaining a jetty or wharf at a desired standard is difficult to predict due to many unforeseeable events, including floods, borer attack, vandalism. Additionally, failure of any component causes failure of the majority of the structure and

therefore calls for replacement. All the components of the structure have similar life spans therefore it is not possible to place a figure on this aspect.

Similar to timber bridges in their construction and usage, it is adopted that a similar level of funds should be applied to the maintenance of wharves. Therefore, the adopted rate of 3% of their estimated asset value for timber bridges, is also applied to wharves. This equates to \$62,000 per annum.

A level of 1%, as applies to concrete bridges, is applied to boat ramps. As well, there is a need for routine removal of sand and algae, which is not related to the value of the asset rather the number of affected facilities. Together these equate to \$24,000 per annum.

It is recognised that this remains an estimate and that where possible assessments that are more accurate will be made in the future.

Council currently allocates \$8,800 per annum for the maintenance of the rock wall along the Moruya River, which is classified as a flood control structure. Typically, this allows about 100m of maintenance work to be undertaken each year. Based on a review of the rock walling along the Moruya River and the works outstanding, it is estimated that only 50% of the required work at any time is undertaken each year, causing an increasing backlog of works. In the Clyde River and Wagonga Inlet, there is significantly less deterioration on those sections of walls that Council is responsible for therefore there is less need for maintenance. Based on the current maintenance work done on the Moruya River, it is estimated that some \$30,000 should be spent annually on the overall network.

#### *Renewals / Maintenance Program 2008/09*

Council expenditure on the maintenance of its boat ramps, wharves, jetties and pontoons for the past year was \$75,000. This includes removal of sand and algae from ramps, and maintenance of decks and structural components of the wharves and jetties. Expenditure on renewals for the past year was \$209,000).

No funds were spent on the maintenance of rock walls. Renewals expenditure will be reported separately in the future.

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### Water Assets

Council has a comprehensive water storage, transport and monitoring network.

A systematic asset management program based on the age of an asset and its condition provides for routine renewals and refurbishment of these facilities. Council is currently investigating the purchase of a new Asset Management System. Future maintenance strategies will be reassessed and will then align with the newly developed system.

Urban expansion and increasing environmental standards require modifications to the management of the water supply system to meet these standards. Studies have shown that the provision of the Water Management Act 2000 for environmental flows in rivers from which water supply is extracted will impact substantially on the overall system operation and yield.

The strategic direction for Council's water supply system has been set by the Eurobodalla Integrated Water Cycle Management Strategy (ICWMS). This strategy identified a range of integrated solutions to achieve security of supply. These solutions include increased attention to demand management and water saving strategies such as revised water sensitive urban design including mandatory use of rainwater tanks in all new developments. The introduction of state government regulations relating to water and energy efficiencies under BASIX may have some impact on the total water used from rainwater tanks, as the state government requirements can lead to a lesser standard than that previously adopted by Council.

Dam storage capacity is unsatisfactory for maintaining security of supply. The Strategic plan developed from the ICWMS has identified a new water treatment plant in the north and south of the shire is required in the future to provide security of supply if 80/30 environmental flow protection is adopted.

The IWCMS has also identified the need for the water delivery system asset to provide satisfactory security of supply under various environmental conditions. To achieve this, a new dedicated pipeline to Deep Creek Dam has been constructed and upgrade to Moruya River and Tuross pumping stations has been included in the capital works program.

This upgrading of storage capacity will incur the cost of demand management initiatives estimated at \$400,000 per annum in addition to the new treatment plants.

The estimated capital cost of pipeline and pump station upgrades to provide security of supply is approximately \$28.35M. This upgrade however, also includes system delivery capacity to cater for future growth in population, and therefore the cost of this work will be met as required from developer contributions in accordance with State Government Best Practice Guidelines.

### 1. Headworks storage system (dam/reservoirs)

#### Data

Council has 1 dam, 2 weirs and 38 concrete/steel reservoirs. It is estimated that they have a current replacement cost of \$52.6M.

#### Condition at 30/06/09

Regular inspections are undertaken due to the significant risk if failure was to occur. The condition of the storage network is considered satisfactory, with no identified failures.

The assumption is made that 99% of the reservoirs are in a satisfactory condition to allow for unobservable failures.

#### Estimated Cost to bring to satisfactory standard (Current \$)

No works have been identified as being required.

The need to upgrade the headworks storage system to bring to satisfactory condition is identified as \$12,000.

#### Estimate Annual Capital Renewals / Replacements

It is estimated that an average of \$385,000 pa is required in capital renewals expenditure for reservoirs and \$206,000 per annum for dams.

#### Estimate of cost to maintain at that standard

The estimated cost of maintaining the headworks storage system at current condition is \$104,000 pa (\$99,000 for reservoirs and \$15,000 for dams).

#### Renewals / Maintenance Program 2008/09

Renewals / maintenance costs for the reservoirs was \$81,000 in 2008/09. Renewal maintenance costs for the dam and weirs was \$9,000 in 2008/09.

### 2. Water telemetry system

Council has implemented a SCADA system for the control of its water and sewer network. This is based at Council's Administration Centre and allows remote monitoring of its dams, reservoirs and pump stations as well as remote control of motorised valves.

#### Data

Components of the telemetry system are up to 7 years old. The system has an estimated average remaining life of 4 years.

The system has a current replacement cost of \$584,000

#### Condition at 30/06/09

The system appears to be working satisfactorily. Given the critical nature of components, it is assumed that 5% of the components



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are near or have exceeded their useful life and require replacement to ensure failures do not occur.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

No individual works are identified as being required but it is assumed that \$36,000 is required to be spent to ensure the satisfactory performance of the system.

#### *Estimate Annual Capital Renewals / Replacements*

Financial modelling and preliminary condition assessments indicate that Council should be replacing the water telemetry system at an average rate of \$73,000 pa.

#### *Estimate of cost to maintain at that standard*

The estimated cost of maintaining the telemetry system at its current condition is \$104,000 pa.

#### *Renewals / Maintenance Program 2008/09*

In 2008/09 renewals / maintenance expenditure on the water telemetry system was Nil.

### *3. Water delivery system (pump stations / pipelines)*

Water for consumption is harvested from a number of sources including the Tuross and Duea Rivers. The water is directed to the distribution system and an off-river storage at Deep Creek. To enable the efficient distribution, a series of pumps "lifts" the water from the rivers to the reservoirs located around the Shire

#### *Data*

Council has 13 water pump stations and approximately 890 kilometres of pipelines with a current replacement cost of \$4.5M for the pump stations and \$159M for the pipelines.

The pump station assets are up to 42 years old. They have an estimated average age of 24 years.

The pipeline assets are up to 70 years old, with an estimated average age of 27 years.

#### *Significant Works*

During the year, Council undertook the following significant works

- Construction of a pipeline from the Moruya intake to Deep Creek dam pipeline

#### *Condition at 30/06/09*

No detailed condition information is held on the pipe network. It is assumed that the majority is performing satisfactory as there are no records of significant losses, system failures or supply interruptions due to pipe failure during the year. The assumption is

made that 4% of the network is unsatisfactory, based on industry standards and historical behaviour of the system.

No detailed condition information is held on the pumping network. It is assumed that the majority is performing satisfactory as there are no records of significant losses, system failures or supply interruptions due to failure during the year.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

No individual works are identified as being required for the pipe network but works to the value of \$6.5M are assumed to be required to bring the network to a satisfactory standard.

No individual works are identified as being required for the pumping network but works to the value of \$2.0M are assumed to be required to bring the network to a satisfactory standard.

#### *Estimate Annual Capital Renewals / Replacements*

The current age and condition of the existing facilities indicates an average of \$1,924,000 pa is required to renew and replace pipelines as well as \$243,000 pa on pump stations.

#### *Estimate of cost to maintain at that standard*

It is estimated that Council needs to spend \$827,000 pa on pipeline maintenance. This includes all trunk mains, reticulation mains, bulk flow meters, motorized valves and service connections.

It is estimated that \$149,000 pa is required for pump station maintenance, including telemetry equipment. The pipeline maintenance figure includes flushing and scouring of mains to maintain water quality.

Council currently manages most of the maintenance of these assets on a breakdown basis and therefore the annual cost of maintenance will vary depending upon the number of breakdown incidents occurring.

#### *Renewals / Maintenance Program 2008/09*

In 2008/09, \$1,296,000 was spent on renewal and \$726,000 on maintenance of all water supply pipelines.

As well, \$44,000 was spent on renewals and \$126,000 on maintenance of all water supply pump stations.

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### Sewer Assets

Council has an integrated system of pipes, pumping stations and treatment facilities to collect, manage and dispose of sewage from throughout the Shire.

Council is currently investigating the purchase of a new Asset Management System that will be implemented across a range of assets. Adopted maintenance strategies for the sewer assets will be reassessed upon implementation of that system and will be aligned with the newly developed system.

#### *1. Sewage Transport System (gravity reticulation and pressurised pipes)*

Council's sewer transport assets are of varying age. Significant growth of the system occurred during the 1960's when there was rapid increase in development within the Shire. It is estimated that the average age of the system is 22 years, with an average remaining life expectancy of 47 years.

Although Council's collection system generally meets the current standards, a program of relining sewer gravity mains and restoring degraded manholes has been scheduled over the next 5 years at estimated cost of \$2.75M.

Also, there is a need to continually upgrade the capacity to cater for urban growth and greater expectations from the Government and the community.

In terms of expanding the sewage collection assets, urban infill development will drive approximately 50% of this expenditure, and urban expansion will account for the remaining 50%. The cost associated with this expansion will generally be met as required funded largely by developer contributions in accordance with State Government Guidelines.

#### *Data*

Council has approximately 520km of sewer mains having a current replacement cost of \$101.4M.

#### *Significant Works*

During the year Council undertook a range of works including:

- Provision of an effluent reuse line from the Surf Beach Treatment Plant to Catalina Country Club and Hanging Rock Sporting facility
- Installation of holding facilities and irrigation system for Hanging Rock Sports area to enable the use of recycled effluent

#### *Condition at 30/06/09*

No overall condition data exists for the network. Due to the significant environmental impacts of failure of the system, remedial

action on any failures is undertaken as soon as possible. It is therefore assumed that the overall system can be classified as satisfactory with 5% classified as poor due to having passed its anticipated life span.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

To bring the sewage transport system to a satisfactory standard, it is identified at costing \$479,000.

#### *Estimate Annual Capital Renewals / Replacements*

Financial modelling and condition assessments indicate that assets should be replaced/renewed at an average rate of approximately \$1.2M pa.

#### *Estimate of cost to maintain at that standard*

It is estimated that Council needs to spend approximately \$150,000 per annum to maintain the sewer transport network at the current standard.

#### *Renewals / Maintenance Program 2008/09*

Renewal costs for the sewerage transport system in 2008/09 was \$464,000 and \$257,000 for maintenance.

#### *2. Sewage pump stations.*

Due to nature of the terrain throughout the Shire, a fully gravity system is not able to be utilised. Therefore Council uses, as part of its integrated system, pump stations to allow transport of sewerage from collection points to the various treatment plants.

An increasing frequency of surcharges in the sewerage systems entering estuarine waterways impacting on aquaculture and public amenity has been addressed in the Eurobodalla Integrated Water Cycle Management Strategy.

This has been supplemented by a detailed strategy study to address the current and future upgrade strategy for Batemans Bay sewerage system. A comprehensive upgrade program has been included in Council's current Management Plan.

Major critical pump stations in Batemans Bay were upgraded over the last few years to improve the reliability of key sites.

Further major upgrading works will be implemented as part of Council's Integrated Water Cycle Management Strategy implementation. An estimated \$16.8M will be required to provide facilities to meet the current standards. This includes \$ 4 million of works to bring existing assets up to standard as well as enhancements to address capacity constraints in Batemans Bay and Malua Bay through the Spine Rd diversion (estimated cost \$5.1M) and the Malua Bay Diversion to Tomaga Sewage Treatment Plant (\$6.9M).

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##### *Data*

Council currently operates 126 pump stations which are up to 38 years old with a current replacement cost of \$37M.

##### *Condition at 30/06/09*

No detailed condition assessment of the pumping/transfer system is available. It is assumed that the condition of these assets is satisfactory as they are compliant in terms of the adopted levels of service specified in Council's Sewerage Strategic Business Plan ie less than 20 surcharges per sewerage system per year.

It is assumed that 10% of the overall system can be classified as poor due to having passed it's anticipated life span.

##### *Estimated Cost to bring to satisfactory standard (Current \$)*

On the basis that 10% of the pump assets and components are near or exceeded their useful life, it is estimated that \$3.7M will be required to bring all relevant assets to an acceptable level.

##### *Estimate Annual Capital Renewals / Replacements*

Financial modelling and condition assessments indicate that assets should be replaced/renewed at an average rate of approximately \$954,000 pa.

##### *Estimate of cost to maintain at that standard*

It is estimated that Council needs to spend approximately \$578,000 on maintenance to maintain the pumping system at the current standard.

##### *Renewals / Maintenance Program 2008/09*

Renewal costs for the pumping system in 2008/09 were \$74,000 and \$422,000 for maintenance.

### 3. Sewage Treatment System

Council treats its sewage through a number of treatment plants that discharge through either ocean outfall, infiltration or discharge to existing waterbodies. These in general operate satisfactorily, however changes in licensing requirements, community expectations and increased loadings have already indicated that Council will need to upgrade its treatment facilities, particularly the facility serving the Batemans Bay area.

Batemans Bay Sewage Treatment Plant (STP) will require an upgrade after the diversion of loads from Malua Bay to the STP at Tomakin. \$10M has been specifically identified as required to upgrade the Batemans Bay STP to cater for Batemans Bay and Malua Bay peak populations to bring the existing asset up to acceptable standard in terms of security, etc. An amount of \$3.6M needs to be spent on upgrades to the Tomakin STP to enable it to accept flows diverted from Malua Bay,

In terms of expanding the sewage treatment infrastructure to cater for increasing population, this will be funded largely from developer contributions as required by State Government Guidelines.

For the smaller villages, Council is implementing a system of alternative treatment schemes. These include Turlinja, Bodalla, Rosedale, etc

##### *Data*

Council operates 5 sewage treatment plants, with a current replacement cost of \$103M.

##### *Significant Works*

During the year Council undertook a range of works including:

- Provision of an effluent reuse line from the Surf Beach Treatment Plant to Catalina Country Club and Hanging Rock Sporting facility
- Installation of holding facilities and irrigation system for Hanging Rock Sports area to enable the use of recycled effluent
- New drying beds at Surf beach and Tomakin Sewer Treatment Plants

##### *Condition at 30/06/09*

As with the pump stations, no detailed condition assessment is available. The condition of the majority of these assets is considered satisfactory as they meet Council's adopted levels of service, as specified in Council's Sewerage Strategic Business Plan ie compliance with DEC license effluent quality conditions, maximum quantity treated of 58 megalitres per day.

##### *Estimated Cost to bring to satisfactory standard (Current \$)*

No works have been identified as the plants are considered satisfactory to perform their current function.

##### *Estimate Annual Capital Renewals / Replacements*

Financial modelling and preliminary condition assessments indicate that Council should be replacing treatment plant equipment at an average rate of \$1,999,000 pa.

##### *Estimate of cost to maintain at that standard*

It is estimated that Council needs to spend approximately \$277,000 on maintenance to its plants and the associated equipment.

##### *Renewals / Maintenance Program 2008/09*

Renewal costs for the sewerage treatment system in 2008/09 was \$18,000 and \$288,000 for maintenance.



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### 4. Sewage Telemetry System

Council manages its pumping, treatment and collection system by an automated SCADA system. This is housed in Council's Administration centre and allows remote access to pumps, flow meters, and valves. It also has access to an integrated rainfall network to allow monitor of anticipated wet-weather flows.

#### *Data*

Council's sewage telemetry system has an average age of 5 years and an estimated remaining life of 2 years. The anticipated replacement cost is estimated at \$1.3M.

#### *Condition at 30/06/09*

The system appears to be operating satisfactorily although it can be assumed that some components are close to or have exceeded their useful life.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

No works have been identified as being required but it is assumed that 75% of the system required replacement due to age or deterioration. This is estimated at \$0.3M.

#### *Estimate Annual Capital Renewals / Replacements*

Financial modelling and preliminary condition assessments indicate that Council should be replacing components of the telemetry system at an average rate of \$212,000 pa.

#### *Estimate of cost to maintain at that standard*

No detailed asset maintenance strategy is available for the telemetry system. Whilst the system has common componentry with the water system, it is estimated the cost of maintaining the sewer component of the system at its current condition is \$115,000 pa.

#### *Renewals / Maintenance Program 2008/09*

Renewals / maintenance expenditure on the telemetry system for 2008/09 was Nil.

### Drainage Assets

To assist in the protection of property and reduce the impacts of rain events, drainage systems are installed to collect, move and discharge surface waters to natural waterways or the ocean. Generally, this drainage network consists of pits to collect the stormwater, pipes (typically reinforced concrete) to transport this water, and headwalls where the water is discharged. Whilst much of the water is conveyed underground, some is also carried above ground in open channels.

To ensure that the waterways that this stormwater is discharged into are protected, Council has instigated the use of pollution control measures ranging from education campaigns to sediment basins and gross pollutant traps.

To assist in the continuing function of the drainage assets and to limit impacts from increasing development, Council has instigated Integrated Water Cycle Management Techniques. These will reduce the impact of new developments on existing systems and limit the need for upgrading of existing systems.

The components of a drainage system are a vital component of many other Council assets as well. For instance, for roads to perform satisfactorily, they require water to be removed before the pavement is weakened. Flooding of properties and road networks impact on residents, commuters and visitors, causing disruption and loss. The drainage network aims to relieve this disruption. Uncontrolled flows can cause scouring and erosion which affects the natural environment the flows discharge to. If the drainage network is not maintained, substantial effects can be had upon people and assets.

Due to historical deficiencies, there are many instances where there is little or no provision for overflow paths in major storm events. It is vital therefore, that the existing pipe systems be maintained in good working order to ensure the least possible impact on private property.

Whilst much of the stormwater system is on public land, some of these pipe systems run through private property.

A significant portion of the drainage network is between 40 to 50 years old, having been constructed during the significant growth periods of the 60's and 70's. Whilst the components often have a life expectancy of greater than this, they are now increasingly being found to be under capacity due to increased development and development of areas upstream of the existing systems.

To assist in the managed renewal of the system, Council has commenced the preparation of an Asset Management Plan for its Stormwater Network. One of the outcomes of this will be the estimation of what renewals will be required over the next 20 years due to assets reaching the end of their useful life.

As the Shire develops, the capacity of the existing network is also under strain. Whilst measures such as the Integrated Water Cycle

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Management Strategy will alleviate the impacts on existing systems, some assets will still need to be replaced to handle larger flows. Where possible this will be integrated with the renewal program to ensure efficient management of Council's funds.

Stormwater drainage problems are primarily identified as a result of complaint, usually during or following a rain event. To ensure more efficient recording of problems and their location, complaints are logged in Council's Customer Service Requests system. Council is developing capacity to undertake detailed analysis of its existing systems to identify those areas below capacity.

### Data

It is recognised that Council does not hold information on all the stormwater assets within the Shire. To enable the preparation of a Asset Management Plan, a WAE data collection program has been commenced.

This program actually commenced in the late 1990's when it was recognised that, due in part to the rapid development of the Shire in the 1970's, Council often has little detailed records of its stormwater assets.

To date, Council has recorded 138.5km of stormwater pipes and 6576 structures across Shire. Indications are that we have only collected 75% of the stormwater assets. It is estimated that, together with an increasing number of Gross Pollutant Traps and other stormwater quality control structures, they have an estimated replacement value of approximately \$52m.

### Significant Works

During the year, a number of lines were either replaced or extended to improve the system. These included

- Bavarde Ave, Batemans Bay
- Flinders Way, Surf Beach
- Cook Crescent, Surf Beach

2008/09 saw the continuing collection of WAE and condition data. To date it is estimated that 75% of the network data has been recorded in some form. It is anticipated that this project will be completed by December 2009.

### Condition at 30/06/09

As noted above, a significant proportion of our stormwater assets are now reaching a critical time in their design-life. Whilst concrete pipes can be expected to have a design life of 100 years, they are now nearing half of that life and require inspection to identify any maintenance required to allow them to continue operating satisfactorily.

For condition assessment purposes, we are extrapolating the condition survey of identified areas to the whole system. The areas

with full condition rating include Batehaven, Moruya and Tuross Head.

### Pipes

To date evidence from the surveys is that about 5% of the existing pipes are rated extreme and should be repaired or re-laid due to poorly aligned/butted pipes. If left unattended these deficiencies may impact significantly on the pipe system's capacity to handle flows, causing problems upstream. It can be assumed that about 10% of the pipes dug up when doing this work should be damaged and therefore require replacement (i.e. 0.5% of the total pipe system).

Another 15% of the pipes were rated as poor, due mainly to poor alignment.

### Pits

The surveys indicated that approximately 5% of the pits were rated as extreme. Of these, 2% are at the end of their useful life and should be replaced and 3% are in need of repair and/or reshaping. Another 10% of pits were rated as poor

### Cost to bring to Satisfactory Standard

It is difficult to estimate the restoration cost given the limited data available. However if the experience in the WAE data collection is extrapolated across the remainder of the Shire, restoration costs of the order of \$0.8M and \$1.8M to attend to those elements rated as extreme and poor respectively can be anticipated (i.e. a total restoration cost of \$2.6M).

### Estimate Annual Capital Renewals / Replacements

In regards to renewals due to design life exceedance, the drainage system is designed for a minimum life of 50 years. On this basis, 2% of the entire network should be replaced each year. As noted above, approximately 2% of the pit network has been determined to be at the end of their life. Based on the estimated value of the network, it is estimated that Council should be allocating \$0.7M per annum for drainage replacement.

### Estimate of cost to maintain at that standard

With the information at hand it is only possible to make an estimate on the basis of percentage of the asset value. Assuming the expense of maintaining drainage systems at an acceptable standard to be 0.5% of the total asset value, an annual expenditure of \$175,100 would be required to maintain these assets.

### Renewals / Maintenance Program 2008/09

\$153,000 was spent on renewals and \$268,000 on maintaining the stormwater drainage system in 2008/09.

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### Waste System

Council has an integrated waste management scheme that is composed of landfill, recycling and education.

#### 1. Landfill and Transfer Station Assets

Council owns and operates 2 landfill facilities under licences issued by the EPA. They are operated in accordance with the conditions laid out in the licences, particularly in relation to air, noise and water. Included in the operational requirements are the daily covering of waste, supervision of recycling/waste disposal, and the provision and monitoring of erosion and leachate controls.

The maintenance of this standard means that improvements are continually being undertaken on both annual and longer term programs. Over the next five years approximately \$3M has been identified in budget allocations to allow improvements to the infrastructure and management of the landfill sites to ensure the EPA and communities expectations are met.

The current life expectancy for the two landfills is in excess of 8 years. All landfill facilities have a limited life and will require eventual replacement or alternative solutions found. The adopted Waste Minimisation Strategy is focused on gaining the maximum life from the existing landfills. Government policy initiatives and the actual waste generation will determine the effectiveness of this strategy.

#### Data

Council owns and operates a landfill site at Surf Beach and runs, under an Occupation Permit from State Forests, an additional facility at Brou. As well, Council operates a transfer station, incorporating recycling drop-off facilities at Moruya.

#### Significant Works

During the year a number of initiatives were undertaken:

- Security Systems were upgraded for both landfill sites to reduce Council's exposure to risk.
- Plant items were purchased to provide optimum operational results, including a garbage compactor which will assist in extending the life of the landfill at Brou.
- A Flora and Fauna Study to support "Stage 2" of the Surf Beach Landfill was completed.
- Upgrading of facilities i.e. lunch/training room were provided for Brou.

#### Condition at 30/06/09

The two facilities are considered satisfactory, with no major failures reported during the past year. Routine inspections noted that the

fencing at Surf Beach landfill needs to be repaired to ensure satisfactory operation of the facility.

#### *Estimated Cost to bring to satisfactory standard (Current \$)*

The cost of a fence at Surf Beach is estimated at \$20,000.

#### *Estimate Annual Capital Renewals / Replacements*

Capital expenditure is required for ongoing rehabilitation as landfill sites are filled. This is currently estimated at \$160,000 per annum for Council's sites.

Landfills are operating satisfactorily to meet the requirements of the EPA licence agreement.

Additional drainage and leachate works are to continue at Surf Beach to cater for the extension of the existing cell. Staged rehabilitation of both landfills is proposed over future years in accordance with the Landfill Environmental Management Plan for each site. The sites have a life of approximately 8 years at the current landfill rate. The introduction of the "Tana" compactors at each of the landfill sites will contribute to the extension of life of each site. Additional services such as security cameras have been installed at Surf Beach and Brou Waste Management Facilities and to improve security and operations.

As noted above, the landfill facilities will require eventual replacement. An allowance of \$250,000 needs to be provided to undertake investigations into alternate waste technology or alternative sites and replacement of the current facility.

#### *Estimate of cost to maintain at that standard*

It is estimated that it costs approximately \$1,060,000 pa to maintain these assets to the current standard.

#### *Renewals / Maintenance Program 2008/09*

Approximately \$930,000 was spent on operational maintenance during 2008/09.

### 2. Recycling Assets

In 2004/05 Council commenced operations in recovering materials for the Surf Beach Buy Back Centre. Renovations to the existing buildings were undertaken to improve the operations. Additional infrastructure is required to further support the operation if this is to be continued in the medium to long term.

The estimated cost to upgrade the existing recycling facilities to a standard to meet increased demands and expectations is \$110,000.

In 2008/09 Council commenced the management of recycling green waste materials. Green waste is collected under a kerbside collection regime and dropped off to the Waste Management Facility at Surf Beach.

## Eurobodalla Shire Council

### Special Schedule No. 7 - Condition of Public Works

as at 30 June 2009

#### Commentary

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##### *Data*

Council owns six recycling buildings, two storage compounds, two recycling platforms and equipment to facilitate the recycling of glass, paper and metals. These assets have a replacement value of approximately \$300,000. Council also owns two small 'drop-off points' at Batemans Bay and Narooma. These assets have a replacement value of approximately \$10,000.

##### *Significant Works*

Planning of the "Community Drop-Off" area at Surf Beach has commenced with construction to be finalised early 2009/10. This area will provide a resource recovery focus.

##### *Condition at 30/06/09*

The facilities are considered to be in a satisfactory condition.

##### *Estimated Cost to bring to satisfactory standard (Current \$)*

No works have been identified as being required.

##### *Estimate Annual Capital Renewals / Replacements*

It is anticipated that future recycling operations will intensify as opportunities are identified e.g. E-Waste recycling. It is anticipated E-Waste recycling will be introduced in 2009/10. The costs will be operational with a minor capital expenditure for containers to collect the items for transportation. The recycling of green waste has been embraced by the Community. The current processing methods do not rely on capital outlay to support the operation.

##### *Estimate of cost to maintain at that standard*

The estimated cost to maintain and operate the existing recycling facilities is approximately \$156,000. The estimate for the maintenance of the green waste recycling component is \$70,000.

##### *Renewals / Maintenance Program 2008/09*

The cost to maintain and operate the recycling facilities for 2008/09 was approximately \$213,000.

Actual maintenance costs are combined with the Landfill Assets and Transfer Station Assets.

## Eurobodalla Shire Council

Special Schedule No. 8 - Financial Projections  
as at 30 June 2009

\$'000	Actual <sup>(1)</sup> 08/09	Forecast 09/10	Forecast 10/11	Forecast <sup>(2)</sup> 11/12	Forecast <sup>(2)</sup> 12/13
<b>(i) RECURRENT BUDGET</b>					
Income from continuing operations	93,503	78,346	77,260	77,971	78,625
Expenses from continuing operations	74,195	80,857	78,615	80,421	81,525
<b>Operating Result from Continuing Operations</b>	<b><u>19,308</u></b>	<b><u>(2,511)</u></b>	<b><u>(1,355)</u></b>	<b><u>(2,450)</u></b>	<b><u>(2,900)</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New works & Replacement for existing assets	39,700	60,872	41,893	33,666	23,580
<b>Total Capital Budget</b>	<b><u>39,700</u></b>	<b><u>60,872</u></b>	<b><u>41,893</u></b>	<b><u>33,666</u></b>	<b><u>23,580</u></b>
<b>Funded by:</b>					
– Loans	10,000	23,893	18,830	17,565	5,355
– Asset sales	1,700	4,546	1,100	1,100	1,100
– Grants/Contributions	18,416	13,084	9,700	3,160	3,096
– Recurrent revenue	9,584	19,349	12,263	11,841	14,029
– Other	-	-	-	-	-
	<b><u>39,700</u></b>	<b><u>60,872</u></b>	<b><u>41,893</u></b>	<b><u>33,666</u></b>	<b><u>23,580</u></b>

**Notes:**

(1) From 08/09 Income Statement.

(2) If Council has only adopted 3 years of projections then only show 3 years.