

Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

"friendly, responsible, thriving, proud"



EUROBODALLA SHIRE COUNCIL

Good Government, better living

Eurobodalla Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Eurobodalla Shire Council.

(ii) Eurobodalla Shire Council is a body politic 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 Paragraph 8 of the LGA and includes;

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 02/11/11.
Council has the power to amend and reissue the financial statements.

Eurobodalla Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

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

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

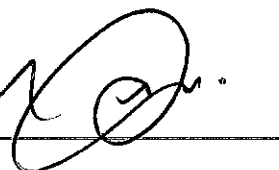
Signed in accordance with a resolution of Council made on 18 October 2011.



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 2011

Budget ⁽¹⁾				Actual	Actual
2011	\$ '000		Notes	2011	2010
Income from Continuing Operations					
Revenue:					
45,797	Rates & Annual Charges		3a	44,758	44,357
18,757	User Charges & Fees		3b	19,598	18,808
1,312	Interest & Investment Revenue		3c	3,391	5,179
1,163	Other Revenues		3d	1,960	3,096
11,963	Grants & Contributions provided for Operating Purposes		3e,f	16,280	14,278
10,026	Grants & Contributions provided for Capital Purposes		3e,f	11,644	8,210
89,018	Total Income from Continuing Operations			97,631	93,928
Expenses from Continuing Operations					
31,706	Employee Benefits & On-Costs		4a	29,112	27,959
4,338	Borrowing Costs		4b	4,036	3,141
20,275	Materials & Contracts		4c	18,096	19,207
19,997	Depreciation & Amortisation		4d	21,955	16,955
-	Impairment		4d	220	268
5,511	Other Expenses		4e	8,089	7,434
-	Interest & Investment Losses		3c	-	-
-	Net Losses from the Disposal of Assets		5	3,701	1,454
81,827	Total Expenses from Continuing Operations			85,209	76,418
7,191	Operating Result from Continuing Operations			12,422	17,510
-	Revaluation Decrement to Community Land		20 (a)	(61,784)	-
7,191	Net Operating Result for the Year			(49,362)	17,510
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes and Revaluation Decrement to Community Land					
(2,835)				778	9,300

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

Eurobodalla Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		(49,362)	17,510
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	<u>42,135</u>	<u>195,005</u>
Total Other Comprehensive Income for the year		42,135	195,005
Total Comprehensive Income for the Year		<u>(7,227)</u>	<u>212,515</u>

Eurobodalla Shire Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	8,098	15,959	13,809
Investments	6b	44,518	37,070	22,786
Receivables	7	9,982	9,019	5,002
Inventories	8	1,191	1,004	1,309
Other	8	751	175	870
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		64,540	63,227	43,776
Non-Current Assets				
Investments	6b	-	500	1,077
Receivables	7	111	133	155
Inventories	8	46	46	46
Infrastructure, Property, Plant & Equipment	9	1,107,268	1,119,966	905,766
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	1,637	1,637	1,600
Intangible Assets	25	-	-	-
Total Non-Current Assets		1,109,062	1,122,282	908,644
TOTAL ASSETS		1,173,602	1,185,509	952,420
LIABILITIES				
Current Liabilities				
Payables	10	7,737	15,811	7,141
Borrowings	10	7,777	5,866	5,325
Provisions	10	9,093	8,163	7,466
Total Current Liabilities		24,607	29,840	19,932
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	52,631	51,973	39,539
Provisions	10	2,169	2,274	4,042
Total Non-Current Liabilities		54,800	54,247	43,581
TOTAL LIABILITIES		79,407	84,087	63,513
Net Assets		1,094,195	1,101,422	888,907
EQUITY				
Retained Earnings	20 (a)	686,287	731,372	713,680
Revaluation Reserves	20 (b)	407,908	370,050	175,227
Council Equity Interest		1,094,195	1,101,422	888,907
Minority Equity Interest		-	-	-
Total Equity		1,094,195	1,101,422	888,907

Eurobodalla Shire Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		731,306	410,222	1,141,528	-	1,141,528
a. Correction of Prior Period Errors	20 (c)	(1,883)	(38,223)	(40,106)	-	(40,106)
b. Changes in Accounting Policies (prior year effects)	20 (d)	1,949	(1,949)	-	-	-
Revised Opening Balance (as at 1/7/10)		731,372	370,050	1,101,422	-	1,101,422
c. Net Operating Result for the Year		(49,362)	-	(49,362)	-	(49,362)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	42,135	42,135	-	42,135
Other Comprehensive Income		-	42,135	42,135	-	42,135
Total Comprehensive Income (c&d)		(49,362)	42,135	(7,227)	-	(7,227)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity	20b (ii)	4,277	(4,277)	-	-	-
Equity - Balance at end of the reporting period		686,287	407,908	1,094,195	-	1,094,195

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		714,756	175,227	889,983	-	889,983
a. Correction of Prior Period Errors	20 (c)	(1,076)	-	(1,076)	-	(1,076)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		713,680	175,227	888,907	-	888,907
c. Net Operating Result for the Year		17,510	-	17,510	-	17,510
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	195,005	195,005	-	195,005
Other Comprehensive Income		-	195,005	195,005	-	195,005
Total Comprehensive Income (c&d)		17,510	195,005	212,515	-	212,515
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		182	(182)	-	-	-
Equity - Balance at end of the reporting period		731,372	370,050	1,101,422	-	1,101,422

Eurobodalla Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
45,797	Rates & Annual Charges		44,485	44,451
18,757	User Charges & Fees		22,744	15,241
1,312	Investment & Interest Revenue Received		2,738	1,718
21,989	Grants & Contributions		23,885	22,612
-	Bonds & Deposits Received		282	-
1,163	Other		1,987	3,256
Payments:				
(31,706)	Employee Benefits & On-Costs		(28,673)	(27,228)
(20,275)	Materials & Contracts		(19,714)	(20,853)
(4,338)	Borrowing Costs		(3,512)	(3,030)
-	Bonds & Deposits Refunded		(418)	-
(5,511)	Other		(8,850)	(7,511)
27,188	Net Cash provided (or used in) Operating Activities	11b	34,955	28,656
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		17,671	17,097
1,555	Sale of Infrastructure, Property, Plant & Equipment		1,454	960
(3)	Deferred Debtors Receipts		22	23
Payments:				
-	Purchase of Investment Securities		(23,968)	(32,485)
(45,148)	Purchase of Infrastructure, Property, Plant & Equipment		(39,818)	(29,976)
-	Purchase of Real Estate Assets		(311)	(62)
(43,596)	Net Cash provided (or used in) Investing Activities		(44,950)	(44,443)
Cash Flows from Financing Activities				
Receipts:				
13,154	Proceeds from Borrowings & Advances		8,000	23,262
Payments:				
(5,717)	Repayment of Borrowings & Advances		(5,866)	(5,325)
7,437	Net Cash Flow provided (used in) Financing Activities		2,134	17,937
(8,971)	Net Increase/(Decrease) in Cash & Cash Equivalents		(7,861)	2,150
15,959	plus: Cash & Cash Equivalents - beginning of year	11a	15,959	13,809
6,988	Cash & Cash Equivalents - end of the year	11a	8,098	15,959
Additional Information:				
	plus: Investments on hand - end of year	6b	44,518	37,570
Total Cash, Cash Equivalents & Investments			52,616	53,529

Please refer to Note 11 for additional cash flow information.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(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 (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

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

- *General Purpose Operations*
- *Water Supply Fund*
- *Sewerage Fund*
- *Domestic & Non-Domestic Waste Funds*
- *Environment Fund*
- *Batemans Bay Children & Family Centre Committee*
- *Batemans Bay Rugby Grounds Committee*
- *Batemans Bay Sailing Complex Committee*
- *Batemans Bay Tennis Courts Committee*
- *Bodalla Hall Committee*
- *Broulee Tennis Courts Committee*
- *Durras Hall Committee*
- *Eurobodalla Regional Botanic Gardens Committee*
- *Malua Bay Community Centre & Tennis Courts Committee*

- *Moruya Basketball Stadium Committee*
- *Moruya Racecourse Committee*
- *Moruya Showground Committee*
- *Narooma Tennis Courts Committee*
- *Nelligen Tennis Courts Committee*
- *Tuross Progress Hall Committee*
- *Tuross Memorial Gardens Committee*

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(iii) Types of Investments

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

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

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

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 statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

- construction/extensions	> \$5,000
- renovations	> \$5,000

Other Structures	> \$5,000
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Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$5,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 years
- Computer Equipment	4 to 5 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 75 years
- Flood Control Structures	80 to 100 years

Transportation Assets

- Sealed Roads : Surface	11 to 18 years
- Sealed Roads : Structure	30 to 70 years
- Unsealed roads	70 years
- Bridge : Concrete	100 years
- Bridge : Other	10 to 40 years

- Road Pavements	30 to 50 years
- Kerb, Gutter & Paths	30 to 75 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes	25 to 80 years
- Pumps and telemetry	10 to 25 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of

provisions is charged to the income statement in each accounting period.

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

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

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

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

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

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

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

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

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

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

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

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

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

(s) Impairment of assets

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its 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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 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 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.

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

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

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

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

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

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

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2010	2011	2010
Governance	6	-	8	581	-	526	(575)	-	(518)	-	-	1	0
Administration	313	648	711	2,166	30	390	(1,853)	618	321	-	-	84,339	63,803
Public Order & Safety	523	2,078	1,234	2,430	2,772	2,782	(1,907)	(694)	(1,548)	868	850	11,077	10,912
Health	130	114	112	383	361	424	(253)	(247)	(312)	-	-	8	-
Environment	9,795	11,120	10,906	10,756	11,255	10,529	(961)	(135)	377	1,056	645	68,359	67,207
Community Services & Education	4,429	5,330	5,046	5,629	6,288	6,303	(1,200)	(958)	(1,257)	3,847	3,718	75	90
Housing & Community Amenities	1,098	1,251	1,178	5,178	5,146	4,237	(4,080)	(3,895)	(3,059)	230	153	6,201	5,559
Water Supplies	17,245	15,977	16,318	13,311	11,165	9,848	3,934	4,812	6,470	3,257	2,379	211,037	203,646
Sewerage Services	16,397	16,697	17,906	14,913	14,418	12,841	1,484	2,279	5,065	183	186	181,307	186,458
Recreation & Culture	2,627	3,762	1,950	6,738	8,298	8,511	(4,111)	(4,536)	(6,561)	2,518	801	176,591	227,060
Mining, Manufacturing & Construction	612	619	681	834	730	816	(222)	(111)	(135)	-	-	204	220
Transport & Communication	5,275	8,578	8,256	12,801	18,463	13,414	(7,526)	(9,885)	(5,158)	1,123	902	369,263	354,853
Economic Affairs	4,455	4,882	4,445	5,586	6,043	5,712	(1,131)	(1,161)	(1,267)	68	-	65,140	65,701
Total Functions & Activities	62,905	71,056	68,751	81,306	84,969	76,333	(18,401)	(13,913)	(7,582)	13,150	9,634	1,173,602	1,185,509
General Purpose Income ¹	26,113	26,575	25,177	521	240	85	25,592	26,335	25,092	6,573	6,117	-	-
Operating Result from Continuing Operations	89,018	97,631	93,928	81,827	85,209	76,418	7,191	12,422	17,510	19,723	15,751	1,173,602	1,185,509

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

GOVERNANCE

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

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

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, street lighting, other sanitation and garbage, 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 & 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, other.

ECONOMIC AFFAIRS

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

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		15,900	15,418
Farmland		320	312
Business		3,145	3,018
Total Ordinary Rates		19,365	18,748
Special Rates			
Environmental		755	732
Total Special Rates		755	732
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		4,725	4,532
Stormwater Management Services		432	429
Water Supply Services		4,714	6,206
Sewerage Services		13,844	12,816
Waste Management Services (non-domestic)		923	894
Total Annual Charges		24,638	24,877
TOTAL RATES & ANNUAL CHARGES		44,758	44,357

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		6,354	5,549
Sewerage Services		276	177
Liquid Trade Waste		103	116
Total User Charges		6,733	5,842
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Planning & Building Regulation		620	687
Private Works - Section 67		399	324
Registration Fees		35	45
Section 149 Certificates (EPA Act)		700	759
Section 603 Certificates		77	88
Water Connection		137	189
Sewer Connection		25	27
Onsite Sewerage Management		174	162
Total Fees & Charges - Statutory/Regulatory		2,167	2,281
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Admission & Service Fees		40	27
Aerodrome		394	384
Caravan Park / Camping		2,556	2,425
Carparking Fees		94	94
Cemeteries		147	139
Community Service Programs		1,408	1,273
Landfill		2,123	1,909
Lease Rentals		1,315	1,234
Leaseback Fees - Council Vehicles		180	168
RTA Charges (State Roads not controlled by Council)		2,246	2,866
Other		195	166
Total Fees & Charges - Other		10,698	10,685
TOTAL USER CHARGES & FEES		19,598	18,808

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		156	147
- Interest earned on Investments (interest & coupon payment income)		2,624	1,790
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		611	761
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	2,481
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,391</u>	<u>5,179</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		132	129
General Council Cash & Investments		2,024	1,525
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		167	173
- Section 64		235	318
Water Fund Operations		71	138
Sewerage Fund Operations		762	2,896
<u>Total Interest & Investment Revenue Recognised</u>		<u>3,391</u>	<u>5,179</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	37
Rental Income - Other Council Properties		368	350
Fines		244	226
Legal Fees Recovery - Rates & Charges (Extra Charges)		98	155
Commissions & Agency Fees		202	148
Insurance Claim Recoveries		117	320
Recycling Income (non domestic)		434	457
Sales - General		463	477
Remediation Remeasurement Adjustment		(77)	850
Other		111	76
<u>TOTAL OTHER REVENUE</u>		<u>1,960</u>	<u>3,096</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,686	4,334	-	-
Financial Assistance - Local Roads Component	1,425	1,319	-	-
Pensioners' Rates Subsidies - General Component	462	464	-	-
Total General Purpose	6,573	6,117	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	193	195	-	-
- Sewerage	183	186	-	-
- Domestic Waste Management	156	157	-	-
Water Supplies	58	-	3,006	2,186
Bushfire & Emergency Services	716	662	279	325
Community Care	3,825	3,705	347	13
Community Centres	-	-	10	-
Economic Development	48	-	-	-
Environmental Protection	828	483	65	-
Heritage & Cultural	111	7	-	128
Library	41	42	1,570	141
Parks & Reserves	111	23	310	330
Street Lighting	49	47	-	-
Transport (Roads to Recovery)	722	722	-	-
Transport (Other Roads & Bridges Funding)	-	20	-	50
Boatramps and Wharfs	-	-	157	-
Cycleways	-	-	221	107
Tourism	20	-	-	-
Other	77	39	47	66
Total Specific Purpose	7,138	6,288	6,012	3,346
Total Grants	13,711	12,405	6,012	3,346
Grant Revenue is attributable to:				
- Commonwealth Funding	7,861	8,322	3,275	1,166
- State Funding	5,701	3,986	1,686	2,159
- Other Funding	149	97	1,051	21
	13,711	12,405	6,012	3,346

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	14	16	537	535
S 94A - Fixed Development Consent Levies	-	-	180	218
S 64 - Water Supply Contributions	-	-	1,097	1,417
S 64 - Sewerage Service Contributions	-	-	753	1,151
Other Contributions - <i>Subdivider Dedications</i>	-	-	2,975	1,197
Total Developer Contributions	14	16	5,542	4,518
Other Contributions:				
Boatramps, Wharves & Jetties	-	-	10	40
Emergency Services	2	3	32	122
Community Services	17	23	-	-
Drainage	-	-	3	12
Employment & Training Programs	83	59	-	-
Kerb & Gutter	138	28	-	-
Libraries	109	81	-	-
Parks & Recreation	44	34	21	-
Paving	13	-	1	-
Recreation & Culture	-	33	-	-
Roadworks	120	86	23	166
Natural Disasters (SES/RTA)	258	112	-	-
RTA Contributions (Regional/Local, Block Grant)	998	1,032	-	-
Tourism	283	82	-	-
Traffic Study	-	75	-	-
Waste Management	-	22	-	-
Lifeguards	122	-	-	-
Cycleways	50	28	-	-
SEROC	192	-	-	-
Other	126	159	-	6
Total Other Contributions	2,555	1,857	90	346
Total Contributions	2,569	1,873	5,632	4,864
TOTAL GRANTS & CONTRIBUTIONS	16,280	14,278	11,644	8,210

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	10,306	11,433
add: Grants and contributions recognised in the current period which have not been spent:	5,625	5,072
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(3,313)	(6,198)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	2,312	(1,127)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	12,618	10,306
Comprising:		
- Specific Purpose Unexpended Grants	5,975	4,349
- Developer Contributions	6,643	5,957
	12,618	10,306

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		21,209	20,182
Travelling		1,342	1,355
Employee Leave Entitlements (ELE)		4,549	4,112
Superannuation		3,193	3,151
Workers' Compensation Insurance		718	917
Fringe Benefit Tax (FBT)		140	152
Payroll Tax		310	314
Training Costs (other than Salaries & Wages)		476	546
Other		184	176
Total Employee Costs		32,121	30,905
less: Capitalised Costs		(3,009)	(2,946)
TOTAL EMPLOYEE COSTS EXPENSED		29,112	27,959
Number of "Equivalent Full Time" Employees at year end		434	428
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		3,502	3,030
Total Interest Bearing Liability Costs Expensed		3,502	3,030
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	99	111
Interest applicable on Interest Free (& favourable) Loans to Council		435	-
Total Other Borrowing Costs		534	111
TOTAL BORROWING COSTS EXPENSED		4,036	3,141

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		14,194	14,830
Contractor & Consultancy Costs		3,386	3,769
Auditors Remuneration			
- Audit Services: Council's Auditor		44	45
- Other Services: Council's Auditor (Sewer & Water Best Practice)		12	7
- Other Services: Internal Audit and Other		12	-
Legal Expenses:			
- Legal Expenses: Planning & Development		151	15
- Legal Expenses: Other		297	541
Total Materials & Contracts		18,096	19,207
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		18,096	19,207

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	2,358	2,700
Office Equipment		-	-	373	351
Furniture & Fittings		-	-	144	136
Land Improvements (depreciable)		-	-	78	45
Buildings - Non Specialised		-	-	1,479	1,830
Buildings - Specialised		-	242	1,362	998
Other Structures		-	-	956	823
Infrastructure:					
- Roads, Bridges & Footpaths		220	26	6,541	2,885
- Stormwater Drainage		-	-	1,371	563
- Water Supply Network		-	-	2,937	2,495
- Sewerage Network		-	-	4,020	3,829
Other Assets					
- Library Books		-	-	252	213
- Other		-	-	41	51
Asset Reinstatement Costs	9 & 26	-	-	43	34
Total Depreciation & Impairment Costs		220	268	21,955	16,955
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		220	268	21,955	16,955

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		648	450
Bad & Doubtful Debts		149	39
Bank Charges / Cash Collection Expenses		237	233
Commissions		295	249
Community Care Outsourced		441	311
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		51	48
- NSW Fire Brigade Levy		107	56
- NSW Rural Fire Service Levy		503	352
- Other Contributions/Levies		171	168
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		144	140
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		92	102
Donations, Contributions & Assistance to other organisations (Section 356)		176	235
Electricity & Heating		2,026	1,907
Insurance		1,233	1,282
Street Lighting		384	378
Subscriptions & Publications		297	190
Telephone & Communications		541	708
Valuation Fees		135	122
Venue / Facility Hire		17	12
Other		407	418
<u>TOTAL OTHER EXPENSES</u>		<u>8,089</u>	<u>7,434</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		236	91
less: Carrying Amount of Property Assets Sold		(1,192)	(27)
Net Gain/(Loss) on Disposal		(956)	64
Plant & Equipment			
Proceeds from Disposal		1,218	869
less: Carrying Amount of P&E Assets Sold		(770)	(783)
Net Gain/(Loss) on Disposal		448	86
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Written Off		(3,233)	(1,644)
Net Gain/(Loss) on Disposal		(3,233)	(1,644)
Financial Assets*			
Proceeds from Disposal / Redemptions		500	1,000
less: Carrying Amount of Financial Assets Sold / Redeemed		(460)	(960)
Net Gain/(Loss) on Disposal		40	40
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(3,701)</u>	<u>(1,454)</u>
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		40	40
Net Gain/(Loss) on Disposal of Financial Instruments		40	40

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		653	-	59	-
Cash-Equivalent Assets ¹					
- Deposits at Call		6,445	-	10,900	-
- Short Term Deposits		1,000	-	5,000	-
Total Cash & Cash Equivalents		8,098	-	15,959	-
Investment Securities (Note 6b)					
- Managed Funds		1,069	-	2,071	-
- Long Term Deposits		36,800	-	28,000	500
- CDO's and other FRN's		6,649	-	6,999	-
Total Investment Securities		44,518	-	37,070	500
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		52,616	-	53,029	500

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

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"	8,098	-	15,959	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	7,718	-	9,070	-
b. "Held to Maturity"	6(b-ii)	36,800	-	28,000	500
Investments		44,518	-	37,070	500

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	9,070	-	8,185	577
Revaluations (through the Income Statement)	605	-	761	-
Additions	214	-	1,086	-
Disposals (sales & redemptions)	(2,171)	-	(1,540)	-
Transfers between Current/Non Current	-	-	577	(577)
Balance at End of Year	7,718	-	9,069	-
Comprising:				
- Managed Funds	1,069	-	2,071	-
- CDO's and other FRN's	6,649	-	6,999	-
Total	7,718	-	9,070	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	28,000	500	14,601	500
Additions	23,800	-	31,450	-
Disposals (sales & redemptions)	(15,500)	-	(18,051)	-
Transfers between Current/Non Current	500	(500)	-	-
Balance at End of Year	36,800	-	28,000	500
Comprising:				
- Long Term Deposits	36,800	-	28,000	500
Total	36,800	-	28,000	500

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	52,616	-	53,029	500
attributable to:				
External Restrictions (refer below)	28,837	-	25,455	500
Internal Restrictions (refer below)	5,709	-	4,766	-
Unrestricted	18,069	-	22,808	-
	52,616	-	53,029	500

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	105	-	(26)	79
Specific Purpose Unexpended Loans-Sewer (A)	8,740	-	(3,774)	4,966
External Restrictions - Included in Liabilities	8,845	-	(3,800)	5,045

External Restrictions - Other

Developer Contributions - General (B)	2,395	2,555	(2,320)	2,630
Developer Contributions - Water Fund (B)	1,786	-	(36)	1,750
Developer Contributions - Sewer Fund (B)	1,776	487	-	2,263
Specific Purpose Unexpended Grants (C)	1,428	1,633	-	3,061
Specific Purpose Unexpended Grants (C) - Sewer Fund	2,921	-	(7)	2,914
Water Supplies (D)	1,373	1,027	-	2,400
Sewerage Services (D)	3,155	1,540	-	4,695
Domestic Waste Management (D)	279	103	-	382
Stormwater Management (D)	107	432	(493)	46
Other Waste Management	1,281	1,237	-	2,518
Crown Reserves	319	736	(592)	463
Tree Fund	45	-	-	45
Community Services Asset Replacement	46	-	-	46
Sinking Fund	171	11	-	183
Other Contributions	27	399	(30)	396
External Restrictions - Other	17,110	10,160	(3,478)	23,792
Total External Restrictions	25,955	10,160	(7,278)	28,837

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Infrastructure Replacement	256	3,271	(3,312)	215
Employees Leave Entitlement	1,184	75	-	1,259
Airport Fund	-	23	-	23
Council Recreational Loan Pool	178	3	-	181
Energy and Efficiency Fund	363	600	-	963
Gravel Pits	160	1	-	161
Interest Equalisation Fund	84	156	-	240
Management Committees	165	239	(166)	238
Sports Liason Committee	51	8	-	59
Unexpended General Loan Funds	284	667	(808)	143
Works Income Equalisation Fund	2,040	1,738	(1,811)	1,967
Council Election Fund	-	74	-	74
Community Development Infrastructure Fund	-	27	-	27
Real Estate Disposal Fund	-	186	(28)	158
Total Internal Restrictions	4,766	7,068	(6,125)	5,709
TOTAL RESTRICTIONS	30,721	17,228	(13,402)	34,547

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,437	-	1,164	-
Interest & Extra Charges		169	-	170	-
User Charges & Fees		4,953	-	4,161	-
Accrued Revenues					
- Interest on Investments		369	-	326	-
- Other Income Accruals		2,240	-	1,056	-
Deferred Debtors		7	111	7	133
Government Grants & Subsidies		743	-	664	-
Net GST Receivable		481	-	1,745	-
Other Debtors		4	-	5	-
Total		10,403	111	9,298	133
less: Provision for Impairment					
Rates & Annual Charges		(25)	-	(25)	-
User Charges & Fees		(396)	-	(254)	-
Total Provision for Impairment - Receivables		(421)	-	(279)	-
<u>TOTAL NET RECEIVABLES</u>		<u>9,982</u>	<u>111</u>	<u>9,019</u>	<u>133</u>
Externally Restricted Receivables					
Water Supply					
- Other		2,267	-	1,852	-
Sewerage Services					
- Rates & Availability Charges		79	-	51	-
Other					
- Other Specific Purpose Grants		455	-	214	-
Total External Restrictions		2,801	-	2,117	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		7,181	111	6,902	133
TOTAL NET RECEIVABLES		9,982	111	9,019	133

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 was charged on overdue rates & charges at 9.00% (2010 9.00%).
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 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		373	46	62	46
Stores & Materials		818	-	942	-
Total Inventories		1,191	46	1,004	46
Other Assets					
Prepayments		740	-	121	-
Work In Progress - Private Works		11	-	54	-
Total Other Assets		751	-	175	-
TOTAL INVENTORIES / OTHER ASSETS		1,942	46	1,179	46
Externally Restricted Assets					
Water					
Stores & Materials		63	-	64	-
Prepayments		-	-	9	-
Total Water		63	-	73	-
Sewerage					
Prepayments		12	-	-	-
Total Sewerage		12	-	-	-
Total Externally Restricted Assets		75	-	73	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,867	46	1,106	46
TOTAL INVENTORIES & OTHER ASSETS		1,942	46	1,179	46

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets (continued)

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	-	46	-	46
Industrial/Commercial	373	-	62	-
Total Real Estate for Resale	373	46	62	46
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	13	-	13
Development Costs	373	18	62	18
Other Holding Costs	-	15	-	15
Total Real Estate for Resale	373	46	62	46
Movements:				
Real Estate assets at beginning of the year	62	46	-	46
- Purchases and other costs	311	-	62	-
Total Real Estate for Resale	373	46	62	46

(b) Current Assets not anticipated to be settled within the next 12 months

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2011	2010
Real Estate for Resale	-	-
	-	-

(c) Inventory Write Downs

\$19,900 was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period						as at 30/6/2011					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Adjustments & Transfers	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	29,148	-	-	-	29,148	(7,919)	-	-	-	-	-	21,229	-	-	-	-	21,229
Plant & Equipment	-	29,775	17,606	-	12,169	3,513	(747)	(2,358)	-	80	-	-	31,199	18,542	-	-	12,657
Office Equipment	-	5,158	4,004	-	1,154	381	-	(373)	-	9	-	-	5,410	4,239	-	-	1,171
Furniture & Fittings	-	2,182	1,339	-	843	54	(3)	(144)	-	(51)	-	-	2,094	1,395	-	-	699
Land:																	
- Operational Land	-	57,667	-	-	57,667	-	(125)	-	-	-	-	-	57,542	-	-	-	57,542
- Community Land	-	193,898	-	-	193,898	144	-	-	-	-	(61,784)	-	132,258	-	-	-	132,258
- Land under Roads	-	8,933	-	-	8,933	52	-	-	-	-	12,364	-	21,349	-	-	-	21,349
Land Improvements - non depreciable	-	188	-	-	188	-	-	-	-	-	-	-	188	-	-	-	188
Land Improvements - depreciable	-	4,714	455	-	4,259	183	-	(78)	-	(1,846)	44	-	2,840	278	-	-	2,562
Buildings - Non Specialised	-	54,940	16,265	-	38,676	284	(43)	(1,479)	-	12	-	-	55,023	17,573	-	-	37,450
Buildings - Specialised	-	49,298	16,536	-	32,763	955	(805)	(1,362)	-	(7)	-	-	48,717	17,173	-	-	31,544
Other Structures	-	30,271	9,953	-	20,319	1,234	(219)	(956)	-	3,142	18,328	-	65,669	23,821	-	-	41,848
Infrastructure:																	
- Roads, Bridges, Footpaths	-	413,097	87,159	-	325,938	7,763	(2,731)	(6,541)	(220)	(170)	-	-	415,092	91,053	-	-	324,039
- Stormwater Drainage	-	92,447	30,626	-	61,821	923	(28)	(1,371)	-	-	-	-	93,317	31,972	-	-	61,345
- Water Supply Network	-	253,846	77,256	-	176,590	22,342	(409)	(2,937)	-	-	5,785	-	283,940	82,569	-	-	201,371
- Sewerage Network	-	252,742	99,018	-	153,724	4,239	(65)	(4,020)	-	-	5,614	-	265,685	106,193	-	-	159,492
Other Assets:																	
- Library Books	-	1,260	653	-	607	164	-	(252)	-	-	-	-	1,211	692	-	-	519
- Other	-	2,191	956	-	1,235	-	(20)	(41)	-	(1,169)	-	-	16	11	-	-	5
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																	
- Tip Asset	-	206	172	-	34	9	-	(43)	-	-	-	-	214	214	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	29,148	1,452,814	361,996	-	1,119,966	34,321	(5,195)	(21,955)	(220)	-	(19,649)	21,229	1,481,764	395,725	-	-	1,107,268

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	2,636	-	-	2,636	17,091	-	59	17,032
Plant & Equipment	4,761	-	3,444	1,317	4,705	-	3,325	1,380
Office Equipment	59	-	37	22	59	-	20	39
Furniture & Fittings	6	-	5	1	6	-	5	1
Land								
- Operational Land	-	1,745	-	1,745	-	1,727	-	1,727
- Community Land	-	70	-	70	-	70	-	70
Buildings	-	2,336	818	1,518	-	2,242	797	1,445
Other Structures	37	-	11	26	127	-	20	107
Infrastructure	-	283,941	82,569	201,372	-	253,846	77,258	176,588
Total Water Supply	7,499	288,092	86,884	208,707	21,988	257,885	81,484	198,389
Sewerage Services								
WIP	16,339	-	-	16,339	10,580	-	106	10,474
Plant & Equipment	1,621	-	1,068	553	1,470	-	960	510
Office Equipment	151	-	112	39	151	-	76	75
Furniture & Fittings	17	-	16	1	17	-	15	2
Land								
- Operational Land	-	2,855	-	2,855	-	2,855	-	2,855
- Community Land	-	15	-	15	-	15	-	15
Buildings	-	2,845	962	1,883	-	2,855	895	1,960
Other Structures	45	-	9	36	225	-	25	200
Infrastructure	-	265,685	106,193	159,492	-	252,742	99,018	153,724
Total Sewerage Services	18,173	271,400	108,360	181,213	12,443	258,467	101,095	169,815
Domestic Waste Management								
Plant & Equipment	1,790	-	526	1,264	1,790	-	391	1,399
Office Equipment	26	-	12	14	16	-	10	6
Furniture & Fittings	5	-	4	1	5	-	4	1
Land								
- Operational Land	-	4,480	-	4,480	-	4,480	-	4,480
- Improvements - depreciable	-	-	-	-	215	-	30	185
Buildings	-	769	316	453	-	829	320	509
Other Structures	2,950	-	1,003	1,947	2,290	-	755	1,535
Other Assets (incl. WIP)	73	-	-	73	507	-	286	221
Total DWM	4,844	5,249	1,861	8,232	4,823	5,309	1,796	8,336
TOTAL RESTRICTED I,PP&E	30,516	564,741	197,105	398,152	39,254	521,661	184,375	376,540

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
Impairment Losses recognised in the Income Statement include:			
- Roads and bridges assets affected by floods		(220)	(26)
- Buildings assets affected by white ants (Kyla Park Hall)		-	(242)
Total Impairment Losses		(220)	(268)
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES)</u>		<u>(220)</u>	<u>(268)</u>

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,126	-	3,043	-
Goods & Services - capital expenditure		2,608	-	11,080	-
Payments Received In Advance		348	-	320	-
Accrued Expenses:					
- Other Expenditure Accruals		1,344	-	918	-
Security Bonds, Deposits & Retentions		282	-	418	-
Other		29	-	32	-
Total Payables		7,737	-	15,811	-
Borrowings					
Loans - Secured ¹		7,777	52,631	5,866	51,973
Total Borrowings		7,777	52,631	5,866	51,973
Provisions					
Employee Benefits;					
Annual Leave		3,367	-	3,177	-
Long Service Leave		5,435	223	4,986	221
Sub Total - Aggregate Employee Benefits		8,802	223	8,163	221
Asset Remediation/Restoration (Future Works) ²⁶		291	1,946	-	2,053
Total Provisions		9,093	2,169	8,163	2,274
Total Payables, Borrowings & Provisions		24,607	54,800	29,840	54,247
(i) Liabilities relating to Restricted Assets					
		2011		2010	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		1,051	3,462	550	3,997
Water		619	8,389	406	7,174
Sewer		2,194	17,773	2,238	15,647
Liabilities relating to externally restricted assets		3,864	29,624	3,194	26,818
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		3,864	29,624	3,194	26,818

¹ Loans are secured over the General Rating Income of Council

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,898	4,545
	<u>4,898</u>	<u>4,545</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011		Unused amounts reversed	Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	3,177	2,781	(2,591)	-	-	3,367
Long Service Leave	5,207	981	(530)	-	-	5,658
Asset Remediation	2,053	85	-	99	-	2,237
TOTAL	10,437	3,847	(3,121)	99	-	11,262

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 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,098	15,959
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,098	15,959
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(49,362)	17,510
Adjust for non cash items:			
Depreciation & Amortisation		21,955	16,955
Net Losses/(Gains) on Disposal of Assets		3,701	1,454
Non Cash Capital Grants and Contributions		(2,975)	(1,197)
Impairment Losses Recognition - I,PP&E		220	268
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(611)	(761)
- Investment Properties		-	(37)
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)		-	(2,481)
- Remediation remeasurement adjustment		-	1,062
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		435	-
Unwinding of Discount Rates on Reinstatement Provisions		184	111
Revaluation Decrement to Community Land		61,784	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,105)	(4,045)
Increase/(Decrease) in Provision for Doubtful Debts		142	27
Decrease/(Increase) in Inventories		124	367
Decrease/(Increase) in Other Assets		(576)	695
Increase/(Decrease) in Payables		83	188
Increase/(Decrease) in other accrued Expenses Payable		426	(267)
Increase/(Decrease) in Other Liabilities		(111)	(11)
Increase/(Decrease) in Employee Leave Entitlements		641	731
Increase/(Decrease) in Other Provisions		-	(1,913)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		34,955	28,656

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Private Subdivisions		2,975	1,197
Remeasurement adjustment of remediation assets		-	(1,062)
Total Non-Cash Investing & Financing Activities		2,975	135
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		500	500
Total Financing Arrangements		2,500	2,500

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		2,001	43
Water Supply		1,673	7,692
Sewer		9,719	4,797
These expenditures are payable as follows:			
Within the next year		13,393	12,532
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		13,393	12,532
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		198	-
Future Grants & Contributions		627	2,846
Unexpended Grants		1,255	88
Unexpended Loans		3,042	2,945
Restricted Water Funds		1,941	4,853
Bank Loans		6,330	1,800
Total Sources of Funding		13,393	12,532
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management Services		4,016	6,782
Cleaning Services		227	292
Audit Services		79	114
Camping and Caravan Park Management		1,067	79
Recreation Facility Management - Pools		-	189
Training Providers		-	36
Total Commitments		5,389	7,492
These expenditures are payable as follows:			
Within the next year		3,873	3,671
Later than one year and not later than 5 years		1,516	3,821
Later than 5 years		-	-
Total Payable		5,389	7,492

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		278	254
Later than one year and not later than 5 years		278	502
Later than 5 years		-	-
Total Payable		556	756

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010 2009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>32,827</u>	2.07 : 1	1.61	1.95
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>15,845</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>7,004</u>	9.18%	6.67%	9.62%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>76,280</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>44,758</u>	45.84%	47.22%	45.03%
Income from Continuing Operations	<u>97,631</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,581</u>	3.41%	2.84%	3.22%
Rates, Annual & Extra Charges Collectible	<u>46,321</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>8,001</u>	42.36%	50.11%	42.68%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>18,886</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.9</td> </tr> <tr> <td>2009</td> <td>1.95</td> </tr> <tr> <td>2010</td> <td>1.61</td> </tr> <tr> <td>2011</td> <td>2.07</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	1.9	2009	1.95	2010	1.61	2011	2.07	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 2.07 : 1</p> <p>Represents an increase and now exceeds the Local Government requirements.</p>
Year	Ratio : 1											
2008	1.9											
2009	1.95											
2010	1.61											
2011	2.07											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>6.00%</td> </tr> <tr> <td>2009</td> <td>9.62%</td> </tr> <tr> <td>2010</td> <td>6.67%</td> </tr> <tr> <td>2011</td> <td>9.18%</td> </tr> </tbody> </table>	Year	Ratio %	2008	6.00%	2009	9.62%	2010	6.67%	2011	9.18%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 9.18%</p> <p>Substantial increase in amount borrowed in 2009-10 compared to 2008-09 due mainly to interest free loan from State Government for Batemans Bay Sewer Treatment plant upgrade.</p>
Year	Ratio %											
2008	6.00%											
2009	9.62%											
2010	6.67%											
2011	9.18%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>47.00%</td> </tr> <tr> <td>2009</td> <td>45.03%</td> </tr> <tr> <td>2010</td> <td>47.22%</td> </tr> <tr> <td>2011</td> <td>45.84%</td> </tr> </tbody> </table>	Year	Ratio %	2008	47.00%	2009	45.03%	2010	47.22%	2011	45.84%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 45.84%</p> <p>An increase in grant revenue this year has reduced the ratio.</p>
Year	Ratio %											
2008	47.00%											
2009	45.03%											
2010	47.22%											
2011	45.84%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>3.01%</td> </tr> <tr> <td>2009</td> <td>3.22%</td> </tr> <tr> <td>2010</td> <td>2.84%</td> </tr> <tr> <td>2011</td> <td>3.41%</td> </tr> </tbody> </table>	Year	Ratio %	2008	3.01%	2009	3.22%	2010	2.84%	2011	3.41%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 3.41%</p> <p>Decreased performance as a result of reduced capacity in rates collection activities.</p>
Year	Ratio %											
2008	3.01%											
2009	3.22%											
2010	2.84%											
2011	3.41%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>45.00%</td> </tr> <tr> <td>2009</td> <td>42.68%</td> </tr> <tr> <td>2010</td> <td>50.11%</td> </tr> <tr> <td>2011</td> <td>42.36%</td> </tr> </tbody> </table>	Year	Ratio %	2008	45.00%	2009	42.68%	2010	50.11%	2011	42.36%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 0.00%</p> <p>Decreased performance due increase in depreciation as a result of all infrastructure assets now revalued to fair value. The amount of renewal expenditure increased by \$1.1M compared to the 2009/10.</p>
Year	Ratio %											
2008	45.00%											
2009	42.68%											
2010	50.11%											
2011	42.36%											

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	7.94 : 1	2.18 : 1	2.07 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	9.62%	14.62%	7.31%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	29.46%	82.71%	40.38%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	0.00%	0.00%	5.69%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	21.66%	80.86%	37.12%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,637</u>	<u>1,637</u>
Reconciliation of Annual Movement:			
Opening Balance		1,637	1,600
- Net Gain/(Loss) from Fair Value Adjustments		-	37
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,637</u>	<u>1,637</u>

(b) Valuation Basis

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

The 2011 revaluations are not based on an Independent Assessment and Valuation.

Market values have remained static and hence no indexation was applied this year as advised by Councils Property Manager. The last independent valuation was completed in 2009 by Terry Hanrahan (Valuations) of Batemans Bay.

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

There are no leasing arrangements.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	8,098	15,959	8,098	15,959
Investments				
- "Held for Trading"	7,718	9,070	7,718	9,070
- "Held to Maturity"	36,800	28,500	36,800	28,500
Receivables	10,093	9,152	10,094	9,152
Total Financial Assets	62,709	62,681	62,710	62,681
Financial Liabilities				
Payables	7,389	15,491	7,392	15,491
Loans / Advances	60,408	57,839	60,408	57,839
Total Financial Liabilities	67,797	73,330	67,800	73,330

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 fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets and liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the financial assets and financial liabilities that have been measured and recognised at fair values:

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	3,534	717	3,467	7,718
Total Financial Assets	3,534	717	3,467	7,718
2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	4,941	1,000	3,129	9,070
Total Financial Assets	4,941	1,000	3,129	9,070

The following table presents the movement in Level 3 financial instruments

	Liabilities 2011	Liabilities 2010	Assets 2011	Assets 2010
Opening Balance (of Level 3 fair values)	-	-	3,129	2,761
Gains/(Losses) recognised in the Income Statement	-	-	338	369
Gains/(Losses) recognised in Other Comprehensive Income	-	-	-	(1)
Closing Balance	-	-	3,467	3,129

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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 investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with specified Australian Banks and State Government Managed Funds.

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

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for 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
2011				
Possible impact of a 10% movement in Market Values	772	772	(772)	(772)
Possible impact of a 1% movement in Interest Rates	534	534	(534)	(534)
2010				
Possible impact of a 10% movement in Market Values	907	907	(907)	(907)
Possible impact of a 1% movement in Interest Rates	563	563	(563)	(563)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) 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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	7,339	-	7,801
Past due by up to 30 days	-	1,234	-	108
Past due between 31 and 180 days	-	188	-	153
Past due between 181 and 365 days	1,090	172	907	89
Past due by more than 1 year	347	144	257	116
	<u>1,437</u>	<u>9,077</u>	<u>1,164</u>	<u>8,267</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			279	252
+ new provisions recognised during the year			142	27
Balance at the end of the year			<u>421</u>	<u>279</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

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

\$ '000	Subject		payable in:					Total Cash Outflows	Actual Carrying Values
	to no maturity	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2011									
Trade/Other Payables	282	7,389	-	-	-	-	-	7,671	7,389
Loans & Advances	-	7,777	3,672	12,778	11,042	8,606	18,579	62,454	60,408
Total Financial Liabilities	282	15,166	3,672	12,778	11,042	8,606	18,579	70,125	67,797
2010									
Trade/Other Payables	418	15,066	-	-	-	-	-	15,484	15,491
Loans & Advances	-	5,866	7,226	3,120	12,226	10,491	21,391	60,320	57,839
Total Financial Liabilities	418	20,932	7,226	3,120	12,226	10,491	21,391	75,804	73,330

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,389	0.0%	15,491	0.0%
Loans & Advances - Fixed Interest Rate	51,860	7.1%	48,549	6.7%
Loans & Advances - Variable Interest Rate	2,773	6.5%	3,081	6.2%
Loans & Advances - Interest Free	5,775	0.0%	6,209	0.0%
	<u>67,797</u>		<u>73,330</u>	

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 24 May 2010.

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.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2011 Budget	2011 Actual	2011 Variance*		
REVENUES					
Rates & Annual Charges	45,797	44,758	(1,039)	(2%)	U
Unfavourable variance due to the unsuccessful special rates variation request to the Department of Local Government.					
User Charges & Fees	18,757	19,598	841	4%	F
Interest & Investment Revenue	1,312	3,391	2,079	158%	F
Interest revenue on investment balances is traditionally conservatively budgeted for and this year investment balances and interest rates were higher than the previous year. Revaluation of investments (CDO's & FRN's) was not budgeted and increased in value by \$0.5M.					
Other Revenues	1,163	1,960	797	69%	F
Favourable variations for recycling of waste including recycled steel and green waste, insurance claims from the storm and flood events, merchant fees, commissions on dog registrations, car parking fines and hire of halls and sporting facilities.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*		
REVENUES (continued)					
Operating Grants & Contributions	11,963	16,280	4,317	36%	F
Additional grants and contributions were received for a wide range of projects in 2010-11. In the transport program, extra funding was received from the RTA's block maintenance and regional roads to repair programs, contributions were received towards car park construction and funding for flood and windstorm damage was received from the RTA and SES. The community well being program received extra grants for community care packages, Eurobodalla Live Life program and Wallaga Lakes programs. Additional environmental program grants received included rehabilitation of coastal dunes and bushland habitat, coastal communities programs, planting for potoroos, Gulaga and Lantana weed control & the story track for Dalmeny/Kianga Coastal Headlands project. Other significant grants received were for RFS hazard reduction subsidies, sport and recreation grants, contributions towards costs of lifeguards for patrolled beaches, contribution for tourism brand advertising, economic development grant to promote the shire, extra Financial Assistance Grants from the Federal Government, contributions from member councils for the South East Region Organisation of Councils group and various strategic development grant funded projects.					
Capital Grants & Contributions	10,026	11,644	1,618	16%	F
Favourable variance due to subdivider dedications which are not budgeted for, RFS capital reimbursements for construction of fire sheds and training centre car park, extension to Dr MacKay Community Centre, drought mitigation funding and recreation grants for skate parks, hanging rock facilities, BMX park and cricket nets. This is offset by unfavourable variances as a result of the deferral of the Bodalla Sewerage Scheme, deferral of road works at Vesper Street awaiting developer contributions and lower S64 water and sewer contributions.					
Net Gains from Disposal of Assets	-	-	-	0%	F
EXPENSES					
Employee Benefits & On-Costs	31,706	29,112	2,594	8%	F
The favourable result is primarily due to ongoing staff vacancies and lower superannuation and workcover expenses.					
Borrowing Costs	4,338	4,036	302	7%	F
Favourable variation due to reduction in 2009/10 borrowing amount.					
Depreciation & Amortisation	19,997	21,955	(1,958)	(10%)	U
Depreciation is unfavourable due to the revaluation of infrastructure and the resultant effect on assets values.					
Impairment Expenses	-	220	(220)	0%	U
The impairment of roads and structures was due to unforeseen events and hence not budgetted for.					
Materials & Contracts/Other Expenses	25,786	26,185	(399)	(2%)	U
Materials & Contracts and Other Expenses are explained together. The reason for this is that Council adjusts its mix of these costs as required to meet its overall objectives and outputs within budget.					
Net Losses from Disposal of Assets	-	3,701	(3,701)	0%	U
The original estimate did not allow for loss on sale of assets within the income statement. Further details on the loss from disposal of assets are disclosed in Note 5. This is largely attributed to the write-off for roads & bridges assets as a result of the flood events, reseals, gravel resheets and obsolete sewer & water assets which have been renewed or replaced during the year. The loss on disposal is not a cash cost and replacements were fully funded within budget.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	27,188	34,955	7,767	28.6% F
The favourable variation in operating activities is already explained in budget variations in functional and income statement lines apart from non cash items such as depreciation and disposals.				
Cash Flows from Investing Activities	(43,596)	(44,950)	(1,354)	3.1% U
Cash Flows from Financing Activities	7,437	2,134	(5,303)	(71.3%) U
The amount drawn down was \$5.15M lower than initially expected due to carry forward of major capital work projects and utilisation of available cash before using loan funds.				
Budget Variations relating to Council's Operating Result by Functions include:				
Governance & Administration	(2,428)	618	3,046	(125.5%) F
Governance & Administration include costs allocated to other functions as recoveries of overhead corporate costs. Significant variations were:				
<ul style="list-style-type: none"> - Plant Operating net costs were \$0.8M favourable as a result of additional recoveries on the running costs of operating plant and the favourable disposal of assets. - Remuneration savings of \$2.3M due to the effects of ongoing staff vacancies and lower than anticipated workers compensation premium and superannuation costs which were offset by higher amounts of sick leave taken. - Savings in insurance premiums of \$0.2M mainly public liability premiums. 				
Public Order & Safety	(1,907)	(694)	1,213	(63.6%) F
Fire appliances provided by the RFS and reimbursements relating to the construction of firesheds were recognised as capital contributions revenue. These amounts were not in original budgets.				
Health	(253)	(247)	6	(2.4%) F
Environment	(961)	(135)	826	(86.0%) F
Significant savings in the Waste Fund of \$1.0M were due to favourable income from steel recycling and bio solids in addition to lower depreciation and savings in operating costs mainly due to high volume of green waste not processed at year end at Surf Beach landfill. Favourable variation for Environment Protection of \$0.16M due to capital income received for the Dalmeny/Kianga Headland story track capital works, savings in the weeds program offset by the unsuccessful rate variation impacting on special rates revenue. This was offset by an unfavourable variance in Public Amenities for depreciation on stormwater assets being \$0.8M higher but this was offset by capital income for stormwater assets recognised from developer subdivisions of \$0.35M.				

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
Budget Variations relating to Council's Operating Result by Functions include: (continued)				
Community Services & Education	(1,200)	(958)	242	(20.2%) F
Favourable variation due to the Eurobodalla Live Life Program and Community Transport service improvement grants received in 2010-11 but programs to begin in 2011-12. Children's Services is favourable overall due to higher numbers in family day care and this covered operating deficits in after school and vacation care programs.				
Housing & Community Amenities	(4,080)	(3,895)	185	(4.5%) F
Water Supplies	3,934	4,812	878	22.3% F
The significant variations were:				
<ul style="list-style-type: none"> - Savings in the Operation & Maintenance program of \$1.1m and in particular pumping stations, reservoir cleaning , treatment plant works, disinfection treatment works and trunk mains programs being the largest savings. - Savings in other recurrent expenditure program areas of \$0.7M including administration wages, water quality testing and revised budgeting for water meter replacement program. - Savings in borrowing costs of \$0.2M due to reduced borrowings in 2009-10. - Depreciation was lower than expected by \$0.6M due to the delay in commissioning of major new capital projects. - These favourable items are offset by residential and non-residential water user charges being unfavourable by \$1.3M and write off for obsolete assets being replaced of \$0.4M. 				
Sewerage Services	1,484	2,279	795	53.6% F
The significant variations were:				
<ul style="list-style-type: none"> - Savings in the Operations & Maintenance program of \$0.2M in mains, plant operations and telemetry programs. - Savings in other non operational & maintenance program areas of \$0.3M including administration wages and the deferral of the Integrated Water Management Strategy and Strategic Business Plan to 2011/12. - The value of sewer assets gained from subdividers were \$0.6M favourable. - Interest revenue is favourable by \$0.7M due mainly to the unspent balance of the NSW Treasury interest free loan for the Batemans Bay sewer treatment plant upgrade. - Depreciation was favourable by \$0.2M - Unfavourable capital grant revenue of \$0.6M due to delay of Bodalla Sewer Scheme pending ministerial approval and finalisation of site. - S64 developer contributions were \$0.2M unfavourable. - Unfavourable user charges revenue of \$0.15M due to discharge usage estimates revised to reflect actual usage and lower associated water usage. 				
Recreation & Culture	(4,111)	(4,536)	(425)	10.3% U
The significant variations were:				
<ul style="list-style-type: none"> - Unfavourable result due to higher than expected depreciation charges of \$0.7M. - Unfavourable loss on disposal of \$0.4M to derecognise a building on Councils asset register that is not owned by Council (Tilba School of Arts). - Favourable grants revenue of \$0.8M for various community and recreation projects such as extension to Dr MacKay community centre, skatepark extensions, Moruya Showground amenities extension and Hanging Rock Complex air conditioning. Approximately half the favourable grant revenue is related to non capital expenditure which represents an unfavourable expense variance. - Favourable other revenue of \$0.2M is for the use of recreation and community facilities such as lighting fees, hall hire and court and grounds hire not originally budgeted for. 				
Mining, Manufacturing & Construction	(222)	(111)	111	(50.0%) F
The building compliance area was favourable due to staff vacancies.				

Eurobodalla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
Budget Variations relating to Council's Operating Result by Functions include: (continued)				
Transport & Communication	(7,526)	(9,885)	(2,359)	31.3% U
Unfavourable items included depreciation relating to recent revaluations, asset disposals and the carry forward into the 2010-11 year of the traffic study projects. The unfavourable variances are offset by additional grant and contributions received for the federally funded R2R program, grants and contributions for the cycleways programs, flood and storm events subsidised by the RTA and SES, additional Financial Assistance Grants, RTA block maintenance grants and kerb and gutter contributions.				
Economic Affairs	(1,131)	(1,161)	(30)	2.7% U
There were unfavourable variations due to the Batemans Bay Beach Resort resulting from the delay in the new contract arrangements for the new park managers and income declined in the final quarter, write offs from the asset register of caravan park and camping ground amenities blocks, additional depreciation of visitor information centres as well as lower income from these centres due to lower visitor numbers. This was offset by favourable variances due to staff vacancies in tourism promotion and economic development, reduced opening hours for visitor information centres and the profit on sale of land from road closures.				
General Purpose Income ¹	25,592	26,335	743	2.9% F
Favourable due to interest revenue due to higher investment balances and interest rates, revaluation increment of investments, additional Financial Assistance Grants, and dividends from Water and Sewer funds. This was offset by the unsuccessful special rates variation on ordinary rates revenue.				

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	1,524	390	-	105	(411)	(32)	1,576	20,187	(60,542)	(38,779)	(32)
Parking	527	102	-	34	-	(436)	227	823	(1,486)	(436)	(436)
Open Space	(352)	51	-	(18)	(14)	333	-	7,962	(28,274)	(20,312)	333
Community Facilities	64	10	-	3	-	-	77	762	(2,724)	(1,885)	-
Cycleways / Pedestrian	(8)	6	-	-	-	2	-	1,642	(5,868)	(4,226)	2
Administration	(70)	14	-	(4)	(41)	101	-	690	(695)	(5)	101
Waste Disposal	155	18	-	10	(5)	-	178	464	(642)	-	-
Bushfire Protection	51	-	-	3	-	-	54	-	(54)	-	-
S94 Contributions - under a Plan	1,891	591	-	133	(471)	(32)	2,112	32,530	(100,285)	(65,643)	(32)
S94A Levies - under a Plan	5	180	-	1	(218)	32	-	2,623	(95,646)	(93,023)	32
Total S94 Revenue Under Plans	1,896	771	-	134	(689)	-	2,112	35,153	(195,931)	(158,666)	-
S94 not under Plans	498	18	-	31	(28)	-	519	442	(961)	-	-
S64 Contributions	3,563	1,850	-	238	(1,639)	-	4,012	42,675	(113,871)	(67,184)	-
Total Contributions	5,957	2,639	-	403	(2,356)	-	6,643	78,270	(310,763)	(225,850)	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	26	11	-	2	-	(39)	-	5,325	(18,953)	(13,628)	(39)
- Northern District	(98)	22	-	(5)	-	81	-	1,404	(4,853)	(3,449)	81
- Central District	(219)	13	-	(12)	(14)	232	-	598	(2,120)	(1,522)	232
- Southern District	(61)	5	-	(3)	-	59	-	635	(2,348)	(1,713)	59
Total	(352)	51	-	(18)	(14)	333	-	7,962	(28,274)	(20,312)	333

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	
Community Facilities											
- Northern District	-	-	-	-	-	-	-	232	(810)	(578)	-
- Central District	28	-	-	1	-	-	29	255	(913)	(629)	-
- Southern District	36	10	-	2	-	-	48	275	(1,001)	(678)	-
Total	64	10	-	3	-	-	77	762	(2,724)	(1,885)	-

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	155	18	-	10	(5)	-	178	464	(642)	-	-
Total	155	18	-	10	(5)	-	178	464	(642)	-	-

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	(2)	2	-	-	-	-	-	643	(2,238)	(1,595)	-
- Central District	(9)	3	-	-	-	6	-	564	(2,016)	(1,452)	6
- Southern District	3	1	-	-	-	(4)	-	435	(1,614)	(1,179)	(4)
Total	(8)	6	-	-	-	2	-	1,642	(5,868)	(4,226)	2

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan 2000 - 2005, Administration

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Administration	(70)	14	-	(4)	(41)	101	-	690	(695)	(5)	101
Total	(70)	14	-	(4)	(41)	101	-	690	(695)	(5)	101

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	389	102	-	26	-	(436)	81	682	(1,199)	(436)	(436)
- Moruya	34	-	-	2	-	-	36	141	(176)	1	-
- Narooma	104	-	-	6	-	-	110	-	(111)	(1)	-
Total	527	102	-	34	-	(436)	227	823	(1,486)	(436)	(436)

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	278	218	-	21	(279)	(32)	206	15,367	(54,351)	(38,778)	(32)
Total	278	218	-	21	(279)	(32)	206	15,367	(54,351)	(38,778)	(32)

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	51	19	-	2	(71)	-	1	105	(106)	-	-
Total	51	19	-	2	(71)	-	1	105	(106)	-	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	37	-	-	2	-	-	39	248	(287)	-	-
Area 2A - NW Batemans Bay	304	-	-	20	-	-	324	358	(682)	-	-
Area 2B - Long Beach	50	-	-	4	-	-	54	21	(75)	-	-
Area 3B - Surf Beach/Malua Bay	-	107	-	2	-	-	109	684	(793)	-	-
Area 4 - Bimbimbi	(28)	-	-	(1)	-	29	-	493	(464)	29	29
Area 5 - Polwambra	131	15	-	10	-	(29)	127	421	(577)	(29)	(29)
Area 6 - Moruya	336	16	-	21	(36)	-	337	893	(1,231)	(1)	-
Area 7 - Congo/Bingi	114	15	-	8	-	-	137	1,121	(1,258)	-	-
Area 8 - South Narooma	118	-	-	8	-	-	126	49	(175)	-	-
Area 9 - Tilba	133	-	-	8	(25)	-	116	427	(543)	-	-
Total	1,195	153	-	82	(61)	-	1,369	4,715	(6,085)	(1)	-

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	5	-	-	-	-	-	5	-	(5)	-	-
- Central District	-	-	-	-	-	-	-	-	-	-	-
- Southern District	46	-	-	3	-	-	49	-	(49)	-	-
Total	51	-	-	3	-	-	54	-	(54)	-	-

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

S94A Levy Contribution Plan 2007

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Indirect Contributions	5	180	-	1	(218)	32	-	2,623	(95,646)	(93,023)	32
Total	5	180	-	1	(218)	32	-	2,623	(95,646)	(93,023)	32

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	24	18	-	1	(28)	-	15	442	(457)	-	-
Parking	422	-	-	26	-	-	448	-	(448)	-	-
Community Facilities	52	-	-	4	-	-	56	-	(56)	-	-
Total	498	18	-	31	(28)	-	519	442	(961)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	1,786	1,097	-	130	(1,264)	-	1,749	24,614	(70,454)	(44,091)	-
Total	1,786	1,097	-	130	(1,264)	-	1,749	24,614	(70,454)	(44,091)	-

S64 Sewer Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Sewer Fund	1,777	753	-	108	(375)	-	2,263	18,061	(43,417)	(23,093)	-
Total	1,777	753	-	108	(375)	-	2,263	18,061	(43,417)	(23,093)	-

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30 June 2011 a deficit still exists. Effective from 1 July 2009, employers were required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$2,342,867 as at 30 June 2011.

This estimate is not a reliable 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 from 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 2011

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

\$ '000

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

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

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 Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED:**(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 unpaid Infringement Notices.

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year		731,372	714,756
a. Correction of Prior Period Errors	20 (c)	-	(1,076)
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserve Transactions)		-	-
d. Net Operating Result for the Year		(49,362)	17,510
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		4,277	182
g. Other Changes		-	-
Balance at End of the Reporting Period		<u><u>686,287</u></u>	<u><u>731,372</u></u>

Community Land Revaluation Decrement

Council revalued Community Land this year and opted to use the Valuer Generals values as the basis for this valuation. This has resulted in a \$61.784m decrease being shown in the Income Statement.

All NSW Councils were required to revalue Community Land and most are also showing significant revaluation decreases. Some of these Councils have elected to book the decrement direct to Retained Earnings but this is not compliant with Accounting Standards. Council has elected to show the decrement through the Income Statement to comply with the accounting standards and to avoid a qualified audit report.

Council has on its books land that is either classified as Operational or Community Land. Community Land is general public land such as public parks and Council is restricted in its use of this land. However, Council is not restricted in its use of Operational Land and is able to hold it as an investment, restrict public access or to conduct its operations such as work depots. The current valuation of Community Land is based on the Valuer-Generals valuations for rating purposes which takes into account the restricted uses of this land as general public land and thus its relative lower value compared to Operational Land. The previous valuation in 1994 used the average cost of all land purchased by Council in that financial year and did not take into account the restrictions placed on Community Land, hence its lower value. The decrement is a book entry only and has no cash flow impact.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		407,908	370,050
Total		407,908	370,050
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance (Revised)		370,050	175,227
- Revaluations for the year (except Community Land)	9(a)	42,135	195,005
- Transfer to Retained Earnings for Asset disposals		(4,277)	(182)
- Balance at End of Year		407,908	370,050
TOTAL VALUE OF RESERVES		407,908	370,050

(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.

c. Correction of Error/s relating to a Previous Reporting Period**Council made the following adjustments to last year's accounts:**

Other Structures (Balance Sheet)	(2,118)
Road Furniture (Balance Sheet)	(36,105)
Asset Revaluation Reserve (Balance Sheet)	(38,223)

In 2009-10 Road & Bridges infrastructure was revalued internally. During 2010/11 it was discovered that some asset categories had been revalued incorrectly. Earthworks had been double counted in Other Structures and Roadworks and hence has been eliminated from Other Structures with the amount being \$2.1m. Road furniture had been overvalued by \$36.1m due to the incorrect unit measure being applied to rates. The effect as at 30/6/2010 was Other Structures and Roads, Bridges & Footpaths were overstated by \$38.2m and the Asset Revaluation Reserve was also overstated by this amount. No Income Statement lines were affected. As a result the opening balances for Other Structures (\$2.1m), Roads, Bridges & Footpaths (\$36.1m) as per Note 9 (a) and Asset Revaluation Reserve (\$38.2m) were reduced.

Correction of errors disclosure continued on next page...

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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c. Correction of Error/s relating to a Previous Reporting Period (continued)

Buildings (Balance Sheet)			(1,883)
Retained Earnings (Balance Sheet)			(1,076)
Buildings Depreciation Expense (Income Statement)			807

It was discovered during the preparation of this years annual accounts that a number of buildings had the incorrect depreciation rate in the asset register. Depreciation expense was understated in 2008/09 and 2009/10 by \$1.076M and \$0.8M respectively and Buildings has been overstated by \$1.88M as at 30 June 2010 . As a result, the Depreciation Expense in the Income Statement has been increased in 2009/10 (\$0.8M), the opening and closing balances of Buildings in Note 9(a) have been decreased (\$1.067M and \$0.8M respectively) and the retained earnings has also been reduced by same amounts as for the Buildings.

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

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/09 (relating to adjustments for the 30/6/09 reporting year end and prior periods)	-	(1,076)
- Adjustments to Closing Equity - 30/6/10 (relating to adjustments for the 30/6/10 year end)	-	(39,030)
Total Prior Period Adjustments - Prior Period Errors	-	(40,106)

d. Voluntary Changes in Accounting Policies

Materials & Contracts Expenses (Note 4)	(1,949)
Asset Revaluation Reserve (Note 20)	(1,949)

Resheets and reseals expenditure on Councils roads were previously treated as amounts to be expensed in the Income Statement. Council has now elected to treat this expenditure as capital expenditure to be booked as an asset because the resheets and reseals works will last for more than one year.

As at 30 June 2010 the revaluation of infrastrucutre assets brought on reseals and resheets as assets but during the year the expenditure was shown through the Income Statement as expenses. The changes to the comparatives statements due to this change in accounting policy were to reduce expenses by the amount of resheet and reseals expenditure in 2009-10 and to reduce the amount of the revaluation increment reported at that year end by this same amount.

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	4,713	13,844	26,201
User Charges & Fees	6,502	399	12,697
Interest & Investment Revenue	201	866	2,324
Other Revenues	36	76	1,848
Grants & Contributions provided for Operating Purposes	267	175	15,838
Grants & Contributions provided for Capital Purposes	4,280	1,379	5,985
Total Income from Continuing Operations	15,999	16,739	64,893
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,547	3,278	23,287
Borrowing Costs	540	1,203	2,293
Materials & Contracts	3,448	4,768	9,880
Depreciation & Amortisation	3,227	4,242	14,486
Impairment	-	-	220
Other Expenses	942	794	6,353
Net Losses from the Disposal of Assets	461	133	3,107
Total Expenses from Continuing Operations	11,165	14,418	59,626
Operating Result from Continuing Operations	4,834	2,321	5,267
Revaluation Decrement to Community Land	-	-	(61,784)
Net Operating Result for the Year	4,834	2,321	(56,517)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes and revaluation Decrement to Community Land	554	942	(718)

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Eurobodalla Shire Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,401	4,695	1,002
Investments	1,932	10,143	32,443
Receivables	2,267	79	7,636
Inventories	63	-	1,128
Other	-	12	739
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	6,663	14,929	42,948
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	111
Inventories	-	-	46
Infrastructure, Property, Plant & Equipment	208,707	181,215	717,346
Investment Property	-	-	1,637
Intangible Assets	-	-	-
Total Non-Current Assets	208,707	181,215	719,140
TOTAL ASSETS	215,370	196,144	762,088
LIABILITIES			
Current Liabilities			
Payables	34	38	7,665
Borrowings	585	2,156	5,036
Provisions	-	-	9,093
Total Current Liabilities	619	2,194	21,794
Non-Current Liabilities			
Payables	-	-	-
Borrowings	8,389	17,773	26,469
Provisions	-	-	2,169
Total Non-Current Liabilities	8,389	17,773	28,638
TOTAL LIABILITIES	9,008	19,967	50,432
Net Assets	206,362	176,177	711,656
EQUITY			
Retained Earnings	147,247	105,579	433,461
Revaluation Reserves	59,115	70,598	278,195
Total Equity	206,362	176,177	711,656

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

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

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 02/11/11.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Brou Waste Management Facility	2017-18	999	915
Surf Beach Waste Management Facility	2016-17	947	868
Moruya Waste Management Facility	2011-12	291	270
Balance at End of the Reporting Period	10	2,237	2,053

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

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

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	2,053	3,855
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	85	-
Effect of a change in other calculation estimates used	-	(1,913)
Amortisation of discount (expensed to borrowing costs)	99	111
Total - Reinstatement, rehabilitation and restoration provision	2,237	2,053

Eurobodalla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Financial Commentary & Review (continued)

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2011	2010	2009	2008	2007
Inflows:					
Rates & Annual Charges Revenue	44,758	44,357	42,103	39,497	36,781
User Charges Revenue	19,598	18,808	15,075	13,028	11,538
Interest & Investment Revenue (Losses)	3,391	5,179	809	2,968	2,922
Grants Income - Operating & Capital	19,723	15,751	26,267	25,030	25,345
Total Income from Continuing Operations	97,631	93,928	93,503	83,728	78,859
Sale Proceeds from I,PP&E	1,454	960	1,669	1,720	1,601
New Loan Borrowings & Advances	8,000	23,262	10,000	5,273	4,139
Outflows:					
Employee Benefits & On-cost Expenses	29,112	27,959	27,455	24,991	23,324
Borrowing Costs	4,036	3,141	2,759	2,495	2,300
Materials & Contracts Expenses	18,096	19,207	18,086	18,523	17,170
Total Expenses from Continuing Operations	85,209	76,418	74,195	70,812	63,171
Total Cash purchases of I,PP&E	39,818	29,976	41,551	48,505	24,787
Total Loan Repayments (incl. Finance Leases)	5,866	5,325	3,904	1,848	1,758
Operating Surplus/(Deficit) (excl. Capital Income)	778	9,300	(507)	1,448	3,693
Financial Position Figures	2011	2010	2009	2008	2007
Current Assets	64,540	63,227	43,776	42,595	54,698
Current Liabilities	24,607	29,840	19,932	19,675	14,621
Net Current Assets	39,933	33,387	23,844	22,920	40,077
Available Working Capital (Unrestricted Net Current Assets)	22,946	18,192	15,631	11,449	13,049
Cash & Investments - Unrestricted	18,069	22,808	14,374	15,830	13,021
Cash & Investments - Internal Restrictions	5,709	4,766	4,370	5,449	3,456
Cash & Investments - Total	52,616	53,529	37,672	32,953	48,204
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	60,408	57,839	44,864	38,768	35,769
Total Value of I,PP&E (excl. Land & Earthworks)	1,291,656	1,221,276	994,826	945,266	702,829
Total Accumulated Depreciation	395,725	361,996	350,246	332,366	252,269
Indicative Remaining Useful Life (as a % of GBV)	69%	70%	65%	65%	64%

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

Eurobodalla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 28. Council Information & Contact Details

Principal Place of Business:

Vulcan Street
Moruya NSW 2537

Contact Details**Mailing Address:**

PO Box 99
Moruya 2537

Opening Hours:

Monday - Friday
8:30am - 4:30pm

Telephone: 02 4474 1000

Facsimile: 02 4474 1234

Internet: www.esc.nsw.gov.au

Email: council@eurocoast.nsw.gov.au

Officers**GENERAL MANAGER**

PJ Anderson

RESPONSIBLE ACCOUNTING OFFICER

MS Craighead

PUBLIC OFFICER

Cheryl McFarlane

AUDITORS

Carl Millington
Pitcher Partners NSW Pty Ltd
Sydney, NSW 2001

Elected Members**MAYOR**

FD Thomson

COUNCILLORS

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

Other Information

ABN: 47 504 455 945



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EUROBODALLA SHIRE COUNCIL **Independent Audit Report to the Council** **General Purpose Financial Statements for the Year ended 30 June 2011**

Report on the Financial Report

We have audited the general purpose financial statements of Eurobodalla Shire Council, which comprises the Balance Sheet as at 30 June 2011, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

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

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Emphasis of Matter – Application of Australian Accounting Standard AASB116 Property, Plant and Equipment and decrement arising from revaluation of Community Land assets.

We draw attention to the Income Statement which discloses the Revaluation Decrement to Community Land as a separate item in determining the net operating result for the year. Our opinion is not qualified in respect of this matter.

Council has re-valued Community Land in accordance with the requirements of the Division of Local Government. The revaluation was based on values provided by the NSW Valuer General and has resulted in a substantial decrease in the carrying value of Community Land. In accordance with Australian Accounting Standard AASB116 Property, Plant and Equipment, this decrease is included in the Income Statement.

In our opinion the additional disclosures in the Income Statement are relevant and reliable in meeting the objectives of the financial statements.

Report on Other Legal and Regulatory Requirements

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

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

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

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

Auditors' Opinion on other legal and regulatory requirements

In our opinion:

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

- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Pitcher Partners
PITCHER PARTNERS

Carl Millington
CARL MILLINGTON
Partner

Sydney, 3 November 2011



PITCHER PARTNERS

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EUROBODALLA SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT YEAR ENDED 30 JUNE 2011

Eurobodalla Shire Council has prepared a general purpose financial report for the year ended 30 June 2011 on which we issued a separate audit report to the Council dated 3 November 2011. This report has been prepared in accordance with the requirements of the Division of Local Government, and the provisions of Section 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Audit Conclusion

Our audit of the financial report for the year ended 30 June 2011 resulted in an unqualified independent audit report for Council's General Purpose and Special Purpose Financial Statements.

Council has re-valued Community Land in accordance with the requirements of the Division of Local Government. The revaluation was based on values provided by the NSW Valuer General and has resulted in a substantial decrease in the carrying value of Community Land. In accordance with Australian Accounting Standard AASB116 Property, Plant and Equipment, this decrease is included in the Income Statement, resulting in a substantial operating deficit. The approach taken by Eurobodalla Shire Council is technically correct and in accordance with current Australian Accounting Standards. This is an isolated event and in no way reflects on Council's operating performance for the 2011 year.

The additional disclosures included by Eurobodalla Shire Council report the operating result from Continuing Operations (surplus \$12.422M) without the impact of the one-off revaluation decrement of \$61.784M. The Net Operating Result for the Year (deficit \$49.362M) includes the revaluation decrement.

In our opinion the additional disclosures in the Income Statement are relevant and reliable in meeting the objectives of the financial statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2011 Actual	2011 Budget	* Budget	2010 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result from continuing operations	12,422	7,191	73%F	17,510
Community Land revaluation decrement	(61,784)	-	-	-
Net operating result for the year	(49,362)	7,191		17,510
Operating result before capital revenue and Community Land decrement	778	(2,835)	127%F	9,300
Rates & annual charges	44,758	45,797	2%U	44,357
Operating grants & contributions	16,280	11,963	36%F	14,278
Capital grants & contributions	11,644	10,026	16% F	8,210
Depreciation & amortisation	21,955	19,997	10%U	16,955

* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

Operating Result from Continuing Operations

The operating result from continuing operations, which more accurately reflects the results of Council's operations for the 2011 year, decreased from \$17.510M in 2010 to \$12.422M in 2011. This compared with a budgeted surplus of \$7.191M for the year. The most significant variations impacting the operating result were improved investment performance and increased operating grants.

Operating Result before Capital and Community Land Decrement.

The operating result before Capital grants and contributions, and before including the revaluation decrement was a surplus of \$778K compared with the prior year surplus of \$9.300M. This compared with the original budget deficit of \$2.835M.

Rates and Annual Charges.

Revenue from rates and annual charges increased to \$44.758M from \$44.357M in the prior year, and was within 2% of budget for the 2011 year.

Grants and Contributions.

Operating grants and contributions for the year totalled \$16.28M and represented 17% of total income from continuing operations. This compares with budget of \$11.963M.

Capital grants and contributions amounted to \$11.644M for the 2011 year and represented 12% of total income from continuing operations. This compares with budget of \$10.026M.

Depreciation.

Included in the operating result was \$21.955M for the depreciation and amortisation of infrastructure, property, plant and equipment which increased from \$16.955M in the prior year and compared with the original budget of \$19.997M. This variance results from increased depreciation expense arising from the revaluation of infrastructure assets in accordance with the requirements of the Division of Local Government in recent years.

Balance Sheet

Council's equity at 30 June 2011 amounted to \$1,094.195M comprised of retained earnings (\$686.287M), and reserves (\$407.908M) arising from revaluation of infrastructure assets.

The most significant impact on retained earnings during 2011 was the operating deficit of \$49.362M (which included \$61.784M revaluation decrement), whilst the Asset Revaluation Reserve increased by a net \$37.858M as a result of the revaluation of other non-current assets.

At balance date Council had not utilised any of its bank overdraft facility of \$2.0M.

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2011 Actual \$'000	2011 Budget \$'000	* Budget Variance %	2010 Actual \$'000
Net cash flows from operations	34,955	27,188	29%F	28,656
Net cash flows from investing	(44,950)	(43,596)	3%U	(44,443)
Net cash flows from financing	2,134	7,437	71%U	17,937
Net movement in cash	(7,861)	(8,971)		2,150

* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances decreased to a total of \$15.959M during the year, with \$34.955M being provided from operations, \$44.95M utilised for acquisition of investments and assets, and \$2.134M provided from net proceeds of borrowings and advances.

Total Investments and Cash Balances

Council's cash and investments balances totaled \$52.616M at 30 June 2011 compared to \$53.029M in 2010.

Of this total, \$28.837M (2010 - \$25.955M) is externally restricted for use as specified by legislation and/or other regulatory requirements, \$5.709M (2010 - \$4.766M) has been reserved for specific projects and purposes identified by Council, and \$18.069M (2010 - \$22.808M) is unrestricted.

Total external restrictions increased overall by 11%, resulting from a combination of reductions in specific purpose unexpended loans, and increases in specific purpose unexpended grants, water and sewerage balances, and other waste management.

The total of internally restricted balances increased by \$3.826M, with the biggest movements being in the infrastructure replacement reserve and the energy and efficiency fund.

Details of all externally and internally restricted cash and investments, including the movements during the year, are provided in Note 6c.

Working Capital (Net Current Assets)

	2011	2010
	\$'000	\$'000
Current assets	64,540	63,227
Current liabilities	24,607	29,840
Net current assets	39,933	33,387
Add: anticipated longer term liabilities included in current	4,898	4,545
Adjusted net Current Assets	44,831	37,932
<i>Less: Working Capital Commitments</i>		
Net external restrictions	6,077	24,451
<i>Unrestricted Working Capital</i>	16,982	13,481

Council's balance of unrestricted working capital has increased from \$13.481M in 2010 to \$16.982M at the end of the 2011 financial year.

After taking into consideration Council's internal reserves, other liabilities that are anticipated to be funded from the 2011/12 operating budget and anticipated timing of rate revenues, Council's unrestricted working capital balance appears to provide a reasonable basis for funding the coming year's operations.

Performance Indicators and Trends

The following performance indicators are included in Note 13 to the financial report:-

Unrestricted Current Ratio.

At 2.07:1, the ratio has improved on the prior year and is above the industry benchmark of 2:1.

Debt Service Ratio.

The debt service ratio of 9.18% is higher than the prior year, but is well within the industry benchmark of 20%.

Rates and Annual Charges Coverage Ratio.

Council's rates and annual charges revenue represented 45.84% of 2011 total revenue, which is consistent with prior years.

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 3.41%. This ratio has increased on the prior year but is still within industry guidelines of 5%.

Asset Renewals Ratio.

The ratio decreased from 50.11% in the prior year to 42.36% for 2011, with a large part of the decrease attributable to the significant increase in depreciation.

Other Issues

As a result of the ongoing process of identifying and revaluing all of Council's assets, it has been necessary to make adjustments to prior years due to identification of additional assets and corrections to previous valuation estimates. These adjustments have been disclosed on the Statement of Changes in Equity and Note 20.

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 19), and other legislatively prescribed standards.

Conduct of the audit

During the conduct of our audit, there were minimal issues requiring additional explanation and investigation. We are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

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


PITCHER PARTNERS


CARL MILLINGTON

Partner

Sydney, 3 November 2011