

Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 24 October 2017. Council has the power to amend and reissue these financial statements.
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Eurobodalla Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Eurobodalla Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management

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

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

- the *Local Government Act 1993 (NSW)* (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
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2017.



L Innes
Mayor



A Mayne
Councillor



Dr C Dale
General manager



A O'Reilly
Responsible accounting officer

Eurobodalla Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
57,698	Rates and annual charges	3a	57,656	55,083
25,278	User charges and fees	3b	29,512	29,635
3,241	Interest and investment revenue	3c	2,781	3,194
–	Other revenues	3d	2,091	2,395
19,772	Grants and contributions provided for operating purposes	3e,f	20,814	21,201
12,782	Grants and contributions provided for capital purposes	3e,f	16,198	13,742
118,771	Total income from continuing operations		129,051	125,250
Expenses from continuing operations				
34,198	Employee benefits and on-costs	4a	35,573	34,901
3,002	Borrowing costs	4b	2,547	3,326
28,497	Materials and contracts	4c	24,737	25,794
29,806	Depreciation and amortisation	4d	29,108	29,160
10,599	Other expenses	4e	9,939	8,139
–	Net losses from the disposal of assets	5	3,935	445
106,103	Total expenses from continuing operations		105,839	101,765
12,667	Operating result from continuing operations		23,212	23,485
12,667	Net operating result for the year		23,212	23,485
(115)	Net operating result for the year before grants and contributions provided for capital purposes		7,014	9,743

¹ Original budget as approved by Council – refer Note 16

Eurobodalla Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		23,212	23,485
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(94,502)	(14,238)
Total items which will not be reclassified subsequently to the operating result		(94,502)	(14,238)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(94,502)	(14,238)
Total comprehensive income for the year		(71,290)	9,247
Total comprehensive income attributable to Council		(71,290)	9,247

Eurobodalla Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,435	17,434
Investments	6b	92,000	77,000
Receivables	7	11,119	10,131
Inventories	8	683	590
Other	8	393	699
Non-current assets classified as 'held for sale'	22	445	26
Total current assets		117,075	105,880
Non-current assets			
Receivables	7	131	112
Infrastructure, property, plant and equipment	9	1,264,366	1,339,249
Total non-current assets		1,264,497	1,339,361
TOTAL ASSETS		1,381,572	1,445,241
LIABILITIES			
Current liabilities			
Payables	10	11,235	9,351
Income received in advance	10	326	377
Borrowings	10	9,333	9,848
Provisions	10	10,181	9,727
Total current liabilities		31,075	29,303
Non-current liabilities			
Borrowings	10	48,458	42,799
Provisions	10	2,209	2,019
Total non-current liabilities		50,667	44,818
TOTAL LIABILITIES		81,742	74,121
Net assets		1,299,830	1,371,120
EQUITY			
Retained earnings	20	765,750	742,538
Revaluation reserves	20	534,080	628,582
Other reserves	20	—	—
Council equity interest		1,299,830	1,371,120
Non-controlling equity interests		—	—
Total equity		1,299,830	1,371,120

Eurobodalla Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

		2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
\$ '000	Notes												
Opening balance (as per last year's audited accounts)		742,538	628,582	–	1,371,120	–	1,371,120	725,582	642,820	–	1,368,402	–	1,368,402
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	(6,529)	–	–	(6,529)	–	(6,529)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		742,538	628,582	–	1,371,120	–	1,371,120	719,053	642,820	–	1,361,873	–	1,361,873
c. Net operating result for the year		23,212	–	–	23,212	–	23,212	23,485	–	–	23,485	–	23,485
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(94,502)	–	(94,502)	–	(94,502)	–	(14,238)	–	(14,238)	–	(14,238)
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		–	(94,502)	–	(94,502)	–	(94,502)	–	(14,238)	–	(14,238)	–	(14,238)
Total comprehensive income (c&d)		23,212	(94,502)	–	(71,290)	–	(71,290)	23,485	(14,238)	–	9,247	–	9,247
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		765,750	534,080	–	1,299,830	–	1,299,830	742,538	628,582	–	1,371,120	–	1,371,120

Eurobodalla Shire Council

Statement of Cash Flows
for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
57,698	Rates and annual charges		57,845	55,046
25,278	User charges and fees		29,852	30,911
3,241	Investment and interest revenue received		3,463	2,963
32,554	Grants and contributions		36,353	30,192
–	Bonds, deposits and retention amounts received		206	74
–	Other		1,499	3,403
Payments:				
(34,198)	Employee benefits and on-costs		(35,028)	(34,723)
(28,497)	Materials and contracts		(27,192)	(28,385)
(3,002)	Borrowing costs		(2,355)	(2,962)
(10,599)	Other		(11,008)	(9,262)
42,474	Net cash provided (or used in) operating activities	11b	53,634	47,257
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		45,897	46,019
727	Sale of infrastructure, property, plant and equipment		1,715	1,185
20	Deferred debtors receipts		192	192
Payments:				
–	Purchase of investment securities		(60,846)	(41,174)
(59,026)	Purchase of infrastructure, property, plant and equipment		(50,392)	(36,305)
–	Deferred debtors and advances made		(151)	(249)
(58,279)	Net cash provided (or used in) investing activities		(63,585)	(30,332)
Cash flows from financing activities				
Receipts:				
16,707	Proceeds from borrowings and advances		14,810	7,083
Payments:				
(9,856)	Repayment of borrowings and advances		(9,858)	(11,313)
6,851	Net cash flow provided (used in) financing activities		4,952	(4,230)
(8,954)	Net increase/(decrease) in cash and cash equivalents		(4,999)	12,695
14,538	Plus: cash and cash equivalents – beginning of year	11a	17,434	4,739
5,584	Cash and cash equivalents – end of the year	11a	12,435	17,434
Additional Information:				
plus:	Investments on hand – end of year	6b	92,000	77,000
Total cash, cash equivalents and investments			104,435	94,434

Please refer to Note 11 for additional cash flow information.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. Council has not entered into any joint venture arrangements in the current reporting period, so the adoption of this standard has had no business combination accounting impacts for Council.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of Council's infrastructure assets, land and buildings.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in

the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(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 Council and specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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

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.

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

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) 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.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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 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*
- *Broulee Tennis Courts Committee*
- *Malua Bay Community Centre & Tennis Courts Committee*
- *Moruya Racecourse Committee*
- *Moruya Showground Committee*
- *Tuross Memorial Gardens Committee*
- *Kyla Hall Committee*

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, 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 Statement of Financial Position.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories**(i) Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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. They are included in non-current assets unless

management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables the amount of 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) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

(j) Fair value estimation – financial instruments

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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures (various internal and external)

Internally valued:

- Bulk earthworks
- Roads assets including roads, bridges and footpaths
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other structures (various internal and external)

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 years
- Computer equipment	4 to 5 years
- Vehicles	4 to 8 years
- Heavy plant/road making equipment	5 to 10 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	15 years
- Benches, seats etc.	25 years

Buildings

- Buildings	15 to 60 years
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Water and sewer assets

- Dams and reservoirs	25 to 100 years
- Reticulation pipes	45 to 100 years
- Pumps and telemetry	7 to 25 years

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Stormwater assets

- Drainage substructure (for pipes <525mm)	200 years
- Drains	30 to 100 years
- Culverts	30 to 100 years
- Flood control structures	100 years

Transportation assets

- Sealed roads: surface	10 to 18 years
- Sealed roads: base and sub base	40 to 75 years
- Sealed roads: substructure	180 years
- Unsealed roads	10 to 15 years
- Bridge: concrete	75 to 100 years
- Bridge: timber	30 years
- Kerb and gutter	75 years
- Ancillary	15 to 60 years
- Paths	30 to 100 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	45 to 70 years
- Other open space/ recreational assets	10 to 100 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value

becomes reliably determinable or construction is complete.

(m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) Borrowing costs

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to

be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 Statement of Financial Position, 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 that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Contribution Plans

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

(r) 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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) 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 to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards* arising from AASB 15
- AASB 2015-8 *Amendments to Australian Accounting Standards* – Effective Date of AASB 15
- AASB 2016-1 *Amendments to Australian Accounting Standards* – Recognition of

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Deferred Tax Assets for Unrealised Losses [AASB 112]

- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014-16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments* (December 2009)
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)
- AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E)
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014)
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*
- AASB 16 *Leases* (Appendix D)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

(y) Rounding of amounts

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

(z) 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.

(aa) 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 year ended 30 June 2017

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 and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	8	4	29	1,373	1,387	1,038	(1,365)	(1,383)	(1,009)	–	–	93	90
Administration	1,300	710	983	1,533	(629)	(927)	(233)	1,339	1,910	93	107	141,609	128,363
Public order and safety	1,673	634	1,166	2,768	2,906	2,820	(1,095)	(2,272)	(1,654)	561	594	9,562	9,123
Health	158	143	153	485	488	445	(327)	(345)	(292)	–	–	3	4
Environment	13,569	12,503	16,401	15,962	14,379	13,453	(2,393)	(1,876)	2,948	796	3,364	83,477	82,691
Community services and education	6,852	6,656	7,155	7,999	8,682	8,004	(1,147)	(2,026)	(849)	3,823	5,591	256	294
Housing and community amenities	1,741	1,418	1,418	7,066	7,156	6,260	(5,325)	(5,738)	(4,842)	287	222	9,084	7,488
Water supplies	19,440	17,961	18,729	16,136	16,730	15,271	3,304	1,231	3,458	206	210	194,019	286,987
Sewerage services	24,530	22,903	23,813	18,431	18,605	17,168	6,099	4,298	6,645	3,186	2,113	247,801	248,504
Recreation and culture	2,448	2,091	1,916	9,889	10,034	10,022	(7,441)	(7,943)	(8,106)	439	328	150,843	152,022
Mining, manufacturing and construction	780	668	786	907	784	645	(127)	(116)	141	–	–	101	93
Transport and communication	15,029	14,844	15,688	17,202	19,112	22,615	(2,173)	(4,268)	(6,927)	8,814	5,235	477,297	466,103
Economic affairs	5,173	4,852	5,356	6,427	6,212	6,446	(1,254)	(1,360)	(1,090)	32	–	67,432	63,477
Total functions and activities	92,701	85,387	93,593	106,178	105,846	103,260	(13,477)	(20,459)	(9,667)	18,237	17,764	1,381,577	1,445,239
General purpose income ¹	36,169	33,384	31,657	(76)	(189)	(1,495)	36,245	33,573	33,152	8,015	6,979	–	–
Operating result from continuing operations	128,870	118,771	125,250	106,102	105,657	101,765	22,768	13,114	23,485	26,252	24,743	1,381,577	1,445,239

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

Includes all water supply services.

SEWERAGE SERVICES

Includes all sewerage services.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control; quarries and pits; mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local and urban regional (including sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes).

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		20,893	19,472
Farmland		401	383
Business		4,075	3,818
Total ordinary rates		25,369	23,673
Special rates			
Environmental		916	889
Total special rates		916	889
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		5,270	5,045
Stormwater management services		452	449
Water supply services		6,191	6,047
Sewerage services		18,207	17,774
Waste management services (non-domestic)		1,251	1,206
Total annual charges		31,371	30,521
TOTAL RATES AND ANNUAL CHARGES		57,656	55,083

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		10,880	9,977
Sewerage services		686	633
Liquid trade waste		121	112
Total user charges		11,687	10,722
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Onsite sewerage management		191	190
Planning and building regulation		848	791
Private works – section 67		366	272
Registration fees		25	32
Section 149 certificates (EPA Act)		914	828
Section 603 certificates		154	142
Sewer connection		48	44
Water connection		175	191
Total fees and charges – statutory/regulatory		2,721	2,490
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Admission and service fees		24	61
Aerodrome		249	242
Caravan park / camping		3,359	3,556
Carparking fees		50	115
Cemeteries		189	189
Community service programs		2,997	1,515
Landfill		4,014	3,429
Lease rentals		1,784	1,803
Leaseback fees – Council vehicles		264	282
Recycling income (non-domestic)		125	–
Roads and Maritime Services charges (state roads)		1,866	5,038
Other		183	193
Total fees and charges – other		15,104	16,423
TOTAL USER CHARGES AND FEES		29,512	29,635

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		204	201
– Interest earned on investments (interest and coupon payment income)		2,577	2,993
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,781</u>	<u>3,194</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		159	161
General Council cash and investments		1,557	1,979
Restricted investments/funds – external:			
Development contributions			
– Section 94		79	74
– Section 64		67	88
Water fund operations		507	398
Sewerage fund operations		412	494
<u>Total interest and investment revenue recognised</u>		<u>2,781</u>	<u>3,194</u>
(d) Other revenues			
Rental income – other council properties		438	400
Fines		229	249
Legal fees recovery – rates and charges (extra charges)		253	180
Legal fees recovery – other		210	233
Commissions and agency fees		123	169
Insurance claim recoveries		94	28
Recycling income (non-domestic)		177	470
Sales – general		325	368
WHS incentive		198	98
Remediation remeasurement		–	150
Other		44	50
<u>TOTAL OTHER REVENUE</u>		<u>2,091</u>	<u>2,395</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	7,517	4,945	–	–
Financial assistance – local roads component	2,321	1,546	–	–
Pensioners' rates subsidies – general component	499	488	–	–
Total general purpose	10,337	6,979	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	206	202	–	–
– Sewerage	194	190	–	–
– Domestic waste management	145	146	–	–
– Other	20	20	–	–
Water supplies	–	–	–	600
Sewerage services	–	–	2,993	1,331
Aerodrome	–	–	405	–
Boatramps and wharfs	–	9	–	458
Bushfire and emergency services	312	648	290	–
Community care	3,823	5,589	–	–
Cycleways	–	–	20	–
Economic development	32	–	–	–
Environmental protection	686	2,976	–	214
Flood restoration	4	–	–	–
Heritage and cultural	70	52	69	70
Library – special projects	–	–	–	55
LIRS subsidy	93	108	–	–
Parks and reserves	222	6	–	–
Recreation and culture	–	–	12	60
Regional waterways	8	30	–	–
Street lighting	136	95	–	–
Transport (roads to recovery)	2,646	2,087	–	–
Transport (other roads and bridges funding)	–	–	3,421	2,668
Waste services	77	94	–	–
Other	31	59	–	–
Total specific purpose	8,705	12,311	7,210	5,456
Total grants	19,042	19,290	7,210	5,456
Grant revenue is attributable to:				
– Commonwealth funding	13,839	9,602	–	75
– State funding	5,000	9,407	7,210	5,381
– Other funding	203	281	–	–
	19,042	19,290	7,210	5,456

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	19	15	719	572
S 94A – fixed development consent levies	–	–	255	319
S 64 – water supply contributions	–	–	1,897	1,330
S 64 – sewerage service contributions	–	–	1,582	1,088
Subdivider dedications	–	–	2,515	4,667
Total developer contributions	19	15	6,968	7,976
Other contributions:				
Arts and culture	21	15	–	–
Business development	23	40	–	–
Community services	42	14	–	–
Cycleways	–	–	25	–
Emergency services	181	–	183	–
Employment and training program	80	49	–	–
Heritage/cultural	–	–	300	–
Kerb and gutter	62	125	–	–
Libraries	84	81	–	–
Paving	1	3	10	–
Recreation and culture	3	–	2	–
Roads and bridges	–	–	–	10
Roadworks	–	–	1,253	55
RMS contributions (regional roads, block grant)	1,099	1,076	–	39
Sewerage (excl. section 64 contributions)	7	320	10	100
Solar rebate – STC's	–	–	–	55
Sports grounds, parks and recreation	82	125	216	46
Tourism	3	4	–	–
Water supplies (excl. section 64 contributions)	15	–	12	4
Waste management	41	35	–	–
Other	9	9	9	1
Total other contributions	1,753	1,896	2,020	310
Total contributions	1,772	1,911	8,988	8,286
TOTAL GRANTS AND CONTRIBUTIONS	20,814	21,201	16,198	13,742

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

	Actual 2017	Actual 2016
\$ '000		
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	11,115	9,033
Add: grants and contributions recognised in the current period but not yet spent:	5,103	5,958
Less: grants and contributions recognised in a previous reporting period now spent:	(4,285)	(3,876)
Net increase (decrease) in restricted assets during the period	818	2,082
Unexpended and held as restricted assets	11,933	11,115
Comprising:		
– Specific purpose unexpended grants	4,651	6,669
– Developer contributions	7,025	4,090
– Other contributions	257	356
	11,933	11,115

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		28,338	26,319
Travel expenses		1,441	1,390
Employee leave entitlements (ELE)		6,146	5,890
Superannuation		3,512	3,431
Workers' compensation insurance		961	885
Fringe benefit tax (FBT)		202	249
Payroll tax		373	367
Training costs (other than salaries and wages)		523	475
Other		321	270
Total employee costs		41,817	39,276
Less: capitalised costs		(6,244)	(4,375)
TOTAL EMPLOYEE COSTS EXPENSED		35,573	34,901
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,424	3,025
Total interest bearing liability costs expensed		2,424	3,025
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	(69)	63
Interest applicable on interest free (and favourable) loans to Council		192	238
Total other borrowing costs		123	301
TOTAL BORROWING COSTS EXPENSED		2,547	3,326

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		19,368	21,004
Contractor and consultancy costs		4,723	4,184
Auditors remuneration ⁽¹⁾		110	117
Legal expenses:			
– Legal expenses: planning and development		33	30
– Legal expenses: debt recovery		256	299
– Legal expenses: other		247	160
TOTAL MATERIALS AND CONTRACTS		24,737	25,794
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		55	–
Remuneration for audit and other assurance services		55	–
Total Auditor-General remuneration		55	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		–	47
– Other services: Council's auditor (sewer and water best practice)		–	6
– Other audit and assurance services		55	64
Remuneration for audit and other assurance services		55	117
Total remuneration of other Council's Auditors		55	117
Total Auditor remuneration		110	117

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,361	2,335
Office equipment		513	576
Furniture and fittings		61	86
Land improvements (depreciable)		14	47
Infrastructure:			
– Buildings		2,354	2,382
– Other structures		546	560
– Roads		6,957	6,801
– Bridges		577	565
– Footpaths		580	534
– Stormwater drainage		1,108	1,057
– Water supply network		5,645	5,824
– Sewerage network		6,552	6,316
– Swimming pools		137	69
– Other open space/recreational assets		1,519	1,829
Other assets			
– Library books		183	168
– Other		0	11
Total gross depreciation and amortisation costs		29,108	29,160
Total depreciation and amortisation costs		29,108	29,160
Impairment			
Nil			
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>29,108</u>	<u>29,160</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		556	363
Bad and doubtful debts		(22)	(178)
Bank charges / cash collection expenses		265	264
Commissions		331	326
Community care outsourced		834	953
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		70	64
– NSW fire brigade levy		147	144
– NSW rural fire service levy		591	574
– Other contributions/levies		212	232
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		163	149
Councillors' expenses (incl. mayor) – other (excluding fees above)		145	94
Donations, contributions and assistance to other organisations (Section 356)		205	202
Election expenses		262	–
Electricity and heating		2,058	1,830
Insurance		1,238	1,116
Street lighting		1,047	292
Subscriptions and publications		281	289
Telephone and communications		701	664
Valuation fees		171	155
Venue / facility hire		23	28
Remediation remeasurement		181	–
Other		439	538
<u>TOTAL OTHER EXPENSES</u>		<u>9,939</u>	<u>8,139</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		990	408
Less: carrying amount of property assets sold.		(433)	(507)
Net gain/(loss) on disposal		557	(99)
Plant and equipment			
Proceeds from disposal – plant and equipment		725	777
Less: carrying amount of plant and equipment assets sold/written off		(716)	(626)
Net gain/(loss) on disposal		9	151
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(4,552)	(2,842)
Net gain/(loss) on disposal		(4,552)	(2,842)
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		45,897	43,519
Less: carrying amount of financial assets sold/redeemed/matured		(45,846)	(41,174)
Net gain/(loss) on disposal		51	2,345
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,935)	(445)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments designated 'held for trading'		51	2,345
Net gain/(loss) on disposal of financial instruments		51	2,345

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		3,516	–	9,606	–
Cash-equivalent assets ¹					
– Deposits at call		3,919	–	4,828	–
– Short-term deposits		5,000	–	3,000	–
Total cash and cash equivalents		12,435	–	17,434	–
Investments (Note 6b)					
– Long term deposits ²		92,000	–	77,000	–
Total investments		92,000	–	77,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		104,435	–	94,434	–

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

2. Those investments over 3 months.

**Cash, cash equivalents and investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash and cash equivalents

a. 'At fair value through the profit and loss'	12,435	–	17,434	–
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Investments

a. 'Held to maturity'	92,000	–	77,000	–
Investments	92,000	–	77,000	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	104,435	–	94,434	–
attributable to:				
External restrictions (refer below)	60,885	–	49,285	–
Internal restrictions (refer below)	20,984	–	18,314	–
Unrestricted	22,565	–	26,835	–
	104,435	–	94,434	–

2017 \$ '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)	96	673	(781)	(12)
Specific purpose unexpended loans – sewer (A)	(43)	4,432	(4,811)	(422)
External restrictions – included in liabilities	53	5,105	(5,592)	(434)

External restrictions – other

Developer contributions – general (B)	2,732	2,722	(2,042)	3,412
Developer contributions – water fund (B)	1,633	1,269	–	2,902
Developer contributions – sewer fund (B)	81	630	–	711
Specific purpose unexpended grants (C)	5,687	–	(2,019)	3,668
Specific purpose unexpended grants-sewer fund (C)	983	–	–	983
Water supplies (D)	15,111	5,581	–	20,692
Sewerage services (D)	13,029	2,648	–	15,677
Domestic waste management (D)	3,267	135	–	3,402
Stormwater management (D)	51	452	(453)	50
Other waste management	5,279	1,092	–	6,371
Crown reserves	591	3,944	(2,301)	2,234
Tree fund	31	–	(6)	25
Community services asset replacement	27	–	–	27
Other	730	588	(153)	1,165
External restrictions – other	49,232	19,061	(6,974)	61,319
Total external restrictions	49,285	24,166	(12,566)	60,885

- 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 (b))
- D Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Infrastructure replacement	766	3,841	(3,615)	992
Employees leave entitlement	1,680	75	–	1,755
Community development infrastructure fund	338	–	–	338
Council Election fund	198	68	(259)	7
Council recreational loan pool	127	39	(66)	100
Energy and efficiency fund	1,244	23	(780)	487
Gravel pits	397	78	–	475
IT investment fund	2,695	–	(1,986)	709
Management committees	134	120	(134)	120
Sports liason committee	170	138	(164)	144
Unexpended general loan fund	226	5,232	(4,413)	1,045
Works income equalisation fund	793	807	–	1,600
Real estate disposal fund	1,884	115	(72)	1,927
Special rates variation	1,612	3,656	(5,088)	180
Infrastructure renewals (FFTF)	2,477	1,428	(16)	3,889
Recreation strategy	271	208	–	479
Financial Assistance Grant	–	3,349	–	3,349
Other	3,302	1,593	(1,507)	3,388
Total internal restrictions	18,314	20,770	(18,100)	20,984
TOTAL RESTRICTIONS	67,599	44,936	(30,666)	81,870

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,217	–	1,406	–
Interest and extra charges		304	–	362	–
User charges and fees		5,477	–	5,109	–
Accrued revenues					
– Interest on investments		500	–	624	–
– Other income accruals		1,568	–	204	–
Deferred debtors		20	131	80	112
Government grants and subsidies		1,554	–	1,857	–
Net GST receivable		719	–	695	–
Other debtors		54	–	142	–
Total		11,413	131	10,479	112
Less: provision for impairment					
Rates and annual charges		(25)	–	(25)	–
User charges and fees		(269)	–	(323)	–
Total provision for impairment – receivables		(294)	–	(348)	–
<u>TOTAL NET RECEIVABLES</u>		<u>11,119</u>	<u>131</u>	<u>10,131</u>	<u>112</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		3,421	–	3,374	–
Sewerage services					
– Rates and availability charges		189	–	175	–
Total external restrictions		3,610	–	3,549	–
Internally restricted receivables					
Nil					
Unrestricted receivables		7,509	131	6,582	112
TOTAL NET RECEIVABLES		11,119	131	10,131	112

Notes on debtors above:

- (i) Rates and 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 and charges at 8.0% (2016 8.50%).
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 year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Stores and materials	683	–	590	–
Total inventories at cost	683	–	590	–

(ii) Inventories at net realisable value (NRV)

Nil

<u>TOTAL INVENTORIES</u>	<u>683</u>	<u>–</u>	<u>590</u>	<u>–</u>
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(b) Other assets

Prepayments	376	–	686	–
Work in progress	17	–	13	–
<u>TOTAL OTHER ASSETS</u>	<u>393</u>	<u>–</u>	<u>699</u>	<u>–</u>

Externally restricted assets

Water

Stores and materials	60	–	60	–
Prepayments	122	–	–	–
Total water	182	–	60	–

Sewerage

Nil

Domestic waste management

Nil

Other

Nil

Total externally restricted assets	182	–	60	–
Total unrestricted assets	894	–	1,229	–
TOTAL INVENTORIES AND OTHER ASSETS	1,076	–	1,289	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	18,117	–	18,117	651	6,804	–	–	–	–	25,572	–	25,572
Plant and equipment	36,193	19,704	16,489	3,243	160	(717)	(2,361)	(2,009)	–	32,802	17,995	14,807
Office equipment	5,440	3,804	1,636	283	157	–	(513)	4	–	5,043	3,476	1,567
Furniture and fittings	801	541	260	47	17	–	(61)	–	–	808	544	264
Land:												
– Operational land	64,228	–	64,228	–	406	(10)	–	1,636	–	66,259	–	66,259
– Community land	105,940	–	105,940	–	–	(5)	–	(1,873)	–	104,062	–	104,062
– Land under roads (post 30/6/08)	19,393	–	19,393	27	501	(1)	–	–	–	19,921	–	19,921
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	106	582	–	–	–	(14)	–	–	688	120	568
Infrastructure:												
– Buildings	106,284	45,222	61,062	1,385	3,331	(2)	(2,354)	(196)	–	110,322	47,095	63,227
– Other structures	12,783	3,468	9,315	1	14	(12)	(546)	424	–	13,584	4,388	9,196
– Roads	513,172	145,194	367,978	8,566	3,403	(1,166)	(6,957)	–	–	521,046	149,224	371,822
– Bridges	43,536	18,493	25,043	2,802	–	(560)	(577)	–	–	44,933	18,227	26,706
– Footpaths	31,890	8,288	23,602	815	691	(210)	(580)	106	–	33,090	8,665	24,425
– Stormwater drainage	112,255	28,400	83,855	1,275	448	(269)	(1,108)	0	–	113,566	29,365	84,201
– Water supply network	421,769	145,776	275,993	2,091	339	(1,450)	(5,645)	1,686	(88,755)	350,697	166,436	184,261
– Sewerage network	405,200	174,276	230,924	2,934	12,037	(671)	(6,552)	(11)	(6,343)	408,201	175,883	232,318
– Swimming pools	8,008	6,774	1,234	156	–	(1)	(137)	–	–	8,144	6,892	1,252
– Other open space/recreational assets	52,286	19,321	32,965	542	1,507	(214)	(1,519)	(6)	–	53,978	20,702	33,276
Other assets:												
– Library books	942	346	596	21	192	–	(183)	–	–	1,154	529	625
– Other	7	2	5	–	–	–	(0)	–	–	7	2	5
Reinstatement, rehabilitation and restoration assets (refer Note 26):												
– Tip assets	214	214	–	–	–	–	–	–	–	214	214	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,959,178	619,929	1,339,249	24,839	30,008	(5,285)	(29,108)	(238)	(95,098)	1,914,123	649,757	1,264,366

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1,415	–	1,415	1,218	–	1,218
Plant and equipment	860	522	338	3,466	1,657	1,809
Office equipment	261	161	100	180	114	66
Land						
– Operational land	1,837	–	1,837	1,856	–	1,856
– Community land	559	–	559	559	–	559
Buildings	2,761	762	1,999	2,762	709	2,053
Infrastructure	350,697	166,436	184,261	421,767	145,776	275,991
Total water supply	358,390	167,881	190,509	431,808	148,256	283,552
Sewerage services						
WIP	9,167	–	9,167	11,327	–	11,327
Plant and equipment	1,530	1,306	224	1,547	1,271	276
Office equipment	209	173	36	220	162	58
Furniture and fittings	–	–	–	4	4	–
Land						
– Operational land	3,143	–	3,143	3,143	–	3,143
– Community land	15	–	15	15	–	15
Buildings	4,256	1,590	2,666	4,082	1,539	2,543
Infrastructure	408,201	175,883	232,318	405,200	174,276	230,924
Other assets	43	1	42	43	–	43
Total sewerage services	426,564	178,953	247,611	425,581	177,252	248,329
Domestic waste management						
WIP	1,453	–	1,453	116	–	116
Plant and equipment	1,874	1,008	866	2,775	1,326	1,449
Office equipment	127	84	43	127	63	64
Land						
– Operational land	4,263	–	4,263	4,263	–	4,263
Buildings	748	297	451	773	300	473
Other structures	7,288	1,779	5,509	6,524	1,003	5,521
Total DWM	15,753	3,168	12,585	14,578	2,692	11,886
TOTAL RESTRICTED I,PP&E	800,707	350,002	450,705	871,967	328,200	543,767

Note 9c. Infrastructure, property, plant and equipment – current year
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,828	–	4,691	–
Goods and services – capital expenditure		4,915	–	2,975	–
Accrued expenses:					
– Other expenditure accruals		810	–	1,219	–
Security bonds, deposits and retentions		558	–	352	–
Other		124	–	114	–
Total payables		11,235	–	9,351	–
Income received in advance					
Payments received in advance		326	–	377	–
Total income received in advance		326	–	377	–
Borrowings					
Loans – secured ¹		9,333	48,458	9,848	42,799
Total borrowings		9,333	48,458	9,848	42,799
Provisions					
Employee benefits:					
Annual leave		3,497	–	3,237	–
Long service leave		6,684	374	6,199	360
Sub-total – aggregate employee benefits		10,181	374	9,436	360
Self insurance – other		–	–	–	–
Asset remediation/restoration (future works)	26	–	1,835	291	1,659
Total provisions		10,181	2,209	9,727	2,019
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		31,075	50,667	29,303	44,818
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		73	995	73	1,069
Sewer		2,553	14,990	3,231	12,073
Domestic waste management		452	3,904	703	3,507
Liabilities relating to externally restricted assets		3,078	19,889	4,007	16,649
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		3,078	19,889	4,007	16,649
Total liabilities relating to unrestricted assets		27,997	30,778	25,296	28,169
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		31,075	50,667	29,303	44,818

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

	Actual	Actual
\$ '000	2017	2016

(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	5,992	5,369
	5,992	5,369

Note 10b. Description of and movements in provisions

Class of provision	2016	2017	Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Movement in provisions	
Annual leave	3,237	260	3,497
Long service leave	6,559	499	7,058
Asset remediation	1,950	(115)	1,835
TOTAL	11,746	644	12,390

- Employees leave entitlements and 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.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,435	17,434
Balance as per the Statement of Cash Flows		12,435	17,434
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		23,212	23,485
Adjust for non-cash items:			
Depreciation and amortisation		29,108	29,160
Net losses/(gains) on disposal of assets		3,935	445
Non-cash capital grants and contributions		(2,515)	(4,667)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		192	238
Unwinding of discount rates on reinstatement provisions		(4)	63
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(994)	(1,206)
Increase/(decrease) in provision for doubtful debts		(54)	(194)
Decrease/(increase) in inventories		(93)	11
Decrease/(increase) in other assets		306	(530)
Increase/(decrease) in payables		137	(165)
Increase/(decrease) in other accrued expenses payable		(409)	373
Increase/(decrease) in other liabilities		165	135
Increase/(decrease) in employee leave entitlements		759	260
Increase/(decrease) in other provisions		(111)	(151)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		53,634	47,257

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Private subdivisions		2,515	4,667
Total non-cash investing and financing activities		2,515	4,667
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		2,000	2,000
Credit cards/purchase cards		260	265
Total financing arrangements		2,260	2,265

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 and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

Council has no current bank guarantees in place

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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 and equipment			
Buildings		322	325
Plant and equipment		857	377
Water supply		2,182	38
Sewer		5,635	4,671
Other structures		3,198	208
Bridges		1,891	431
Corporate Business System		1,532	–
Total commitments		15,617	6,050
These expenditures are payable as follows:			
Within the next year		15,617	6,050
Total payable		15,617	6,050
Sources for funding of capital commitments:			
Unrestricted general funds		858	639
Unexpended grants		1,926	206
Externally restricted reserves		10,862	4,985
Internally restricted reserves		1,209	31
New loans (to be raised)		762	189
Total sources of funding		15,617	6,050

Details of capital commitments

Current capital commitments include plant and machinery (mainly heavy vehicles) required for general operations, various major construction projects and project management contracts; development and implementation of a new corporate business system and energy performance improvement works across Council.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		102	76
Later than one year and not later than 5 years		178	193
Later than 5 years		—	—
Total non-cancellable operating lease commitments		280	269

b. Non-cancellable operating leases include the following assets:

Photocopiers

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016 2015		Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	10,949	9.70%	9.14%	4.69%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	112,853				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	92,040	71.32%	72.10%	77.47%	>60.00%
Total continuing operating revenue ⁽¹⁾	129,051				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	52,398	2.38x	2.66x	3.09x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	22,005				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	42,604	3.43x	2.92x	2.55x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	12,405				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,496	2.50%	3.05%	3.07%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	59,856				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	104,435	14.67 mths	13.1 mths	12.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	7,120				

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

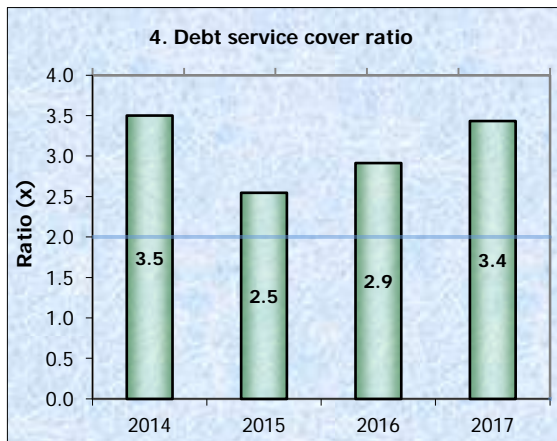
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 9.70%</p> <p>General operating revenue has increased by 2% compared to the previous year while costs have only increased marginally. The early payment of half of the 2017-18 Financial Assistance Grant has also impacted on the operating surplus resulting in an overall improvement on last years operational performance result.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 71.32%</p> <p>As in prior years Council continues to perform above the benchmark, indicating Council's ability to maintain adequate own source funding levels. This meets Council's Fit for the Future requirement. The result has varied slightly compared to last year and has been influenced by the early payment of half of the 2017-18 Financial Assistance Grant.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<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 2016/17 result</p> <p>2016/17 ratio 2.38x</p> <p>This result indicates that Council is in a sound position to satisfy short term unrestricted financial obligations. The ratio is slightly lower than last year but remains above minimum benchmark requirements.</p>

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

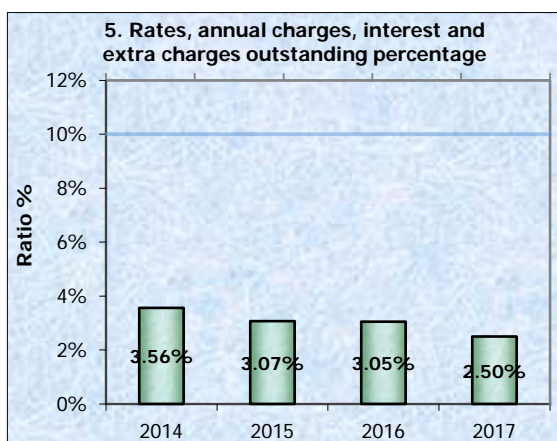
Commentary on 2016/17 result**2016/17 ratio 3.43x**

With the operating result at a similar level to last year and borrowing costs slightly lower there has been a favourable movement in the ratio. This exceeds the benchmark minimum and confirms the adequacy of Council's available operating cash to service current debts.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

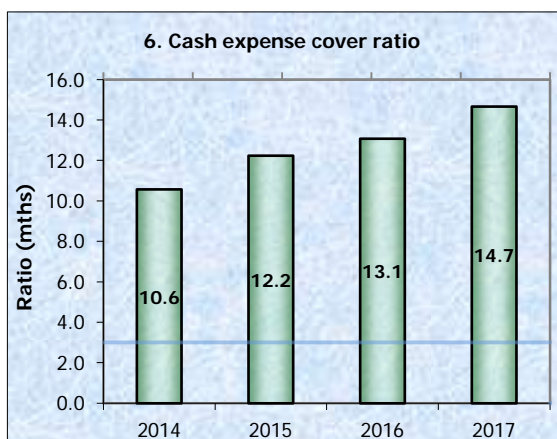
Commentary on 2016/17 result**2016/17 ratio 2.50%**

This ratio has consistently improved, comparing favourably with the benchmark of 10%, confirming the high standard of Council's management of the debt collection process.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2016/17 result**2016/17 ratio 14.67 mths**

There has been an 11% increase in cash compared to last year, attributable in part to the early payment of half of the 2017-18 Financial Assistance Grant. The result indicates Council's increased ability to meet short term debt obligations.



Ratio achieves benchmark

Ratio is outside benchmark

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	11.35%	8.07%	7.49%	10.17%	5.47%	12.23%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	65.15%	66.20%	89.13%	89.16%	77.70%	78.69%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	2.38x	2.66x	333.19x	255.71x	7.20x	4.99x	>1.5x

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	3.20x	4.91x	56.07x	4.82x	2.17x	1.26x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.14%	5.23%	0.45%	0.00%	0.00%	0.00%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	20.45	19.09	0.95	1.12	0.52	0.62	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	12,435	17,434	12,435	17,434
Investments				
– 'Held to maturity'	92,000	77,000	92,000	77,000
Receivables	11,250	10,243	11,250	10,243
Total financial assets	115,685	104,677	115,685	104,677
Financial liabilities				
Payables	11,235	9,351	11,235	9,351
Loans/advances	57,791	52,647	57,791	52,647
Total financial liabilities	69,026	61,998	69,026	61,998

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and 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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is usually tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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 high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

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
2017				
Possible impact of a 1% movement in interest rates	1,009	1,009	(1,009)	(1,009)
2016				
Possible impact of a 1% movement in interest rates	848	848	(848)	(848)

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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:

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	86%	0%	94%
Overdue		100%	14%	100%	6%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	9,816	–	8,602
< 1 year overdue	0 – 30 days overdue	1,217	142	1,406	185
1 – 2 years overdue	31 – 60 days overdue	–	61	–	24
2 – 5 years overdue	61 – 90 days overdue	–	28	–	33
> 5 years overdue	> 91 days overdue	–	280	–	341
		1,217	10,327	1,406	9,185
(iii) Movement in provision for impairment of receivables					
				2017	2016
Balance at the beginning of the year				348	542
+ movements recognised during the year				(54)	(194)
Balance at the end of the year				294	348

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	558	–	–	–	–	–	–	558	11,235
Loans and advances	–	9,333	7,873	6,848	3,955	7,209	22,832	58,050	57,791
Total financial liabilities	558	9,333	7,873	6,848	3,955	7,209	22,832	58,608	69,026
2016									
Trade/other payables	352	9,351	–	–	–	–	–	9,703	9,351
Loans and advances	–	9,848	8,579	7,102	6,059	3,148	18,351	53,087	52,647
Total financial liabilities	352	19,199	8,579	7,102	6,059	3,148	18,351	62,790	61,998

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	11,235	0.00%	9,351	0.00%
Loans and advances – fixed interest rate	57,791	4.95%	52,647	5.50%
	<u>69,026</u>		<u>61,998</u>	

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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 variances that amount to approximately **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----		
REVENUES					
Rates and annual charges	57,698	57,656	(42)	(0%)	U
User charges and fees	25,278	29,512	4,234	17%	F
Favourable variations on User Fees and Charges were mostly attributable to increased Water Usage (Revenues), National Disability Insurance Scheme contributions received and increased tipping and hard waste revenues collected at Surfbeach tip.					
Interest and investment revenue	3,241	2,781	(460)	(14%)	U
Unfavourable variation a result of aligning the actual and final Southern Phone Dividend to the original estimates and also lower than anticipated interest rates on general investment revenues.					
Other revenues	–	2,091	2,091	100%	F
Variation here as a result of having no original budgets to compare to actuals. Instead, budgets are reported on various categories above.					
Operating grants and contributions	19,772	20,814	1,042	5%	F
Capital grants and contributions	12,782	16,198	3,416	27%	F
Significant revotes of funding relating to Roads & Maritime Services (RMS) for severe weather works largely offset by variations resulting, largely, from the receipt and recognition of significant subdivider assets, developer contributions for both Water and Sewer operations.					

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	34,198	35,573	(1,375)	(4%) U
Borrowing costs	3,002	2,547	455	15% F
Variation as a result of differentials between repayments relating to the 2015-16 loan drawdown facility terms and, the then, 2016-17 modelled (estimated) repayments and differentials between accrued and actual interest paid.				
Materials and contracts	28,497	24,737	3,760	13% F
Variation as a result of carry forward expenditure relating to projects that will continue into next financial year, over recoveries of indirect costs in both the plant fund and the labour unit (including reallocations), and maintenance savings at the Batemans Bay Beach Resort and operational savings in Waste Fund operations.				
Depreciation and amortisation	29,806	29,108	698	2% F
Other expenses	10,599	9,939	660	6% F
Net losses from disposal of assets	—	3,935	(3,935)	100% U
Significant book value write offs relating to plant, pipes and other ageing assets renewed or replaced prior to reaching the end of their expected lives.				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	42,474	53,634	11,160	26.3% F
Favourable variations were mostly attributable to increased Water Usage (Revenues), Community Service Program revenues, including the National Disability Insurance Scheme contributions received and increased tipping and hard waste revenues collected. Council also received large grants and contributions that are to continue to be spent in future operational programs.				
Cash flows from investing activities	(58,279)	(63,585)	(5,306)	9.1% U
Council completed a large capital works program this year which included additional works relating to the Special Rates Variation Program. There was an increase in funding and contributions received, for example the early receipt of Financial Assistance Grants, which necessitated increased investing.				
Cash flows from financing activities	6,851	4,952	(1,899)	(27.7%) U
Council's borrowings program was substantially in line with projected requirements with some a reductions due to internal funding of some programmed works.				

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,607	528	–	49	(196)	–	1,988	–
Parking	218	–	–	5	(40)	(123)	60	(123)
Open space	(231)	118	–	(4)	–	117	–	117
Community facilities	(14)	8	–	(1)	–	7	–	7
Cycleways/Pedestrian	44	20	–	1	–	–	65	–
Administration	(204)	19	–	(5)	(27)	217	–	217
Waste Disposal	191	22	–	6	(1)	(218)	–	(218)
Bushfire Protection	68	–	–	–	(68)	–	–	–
S94 contributions – under a plan	1,679	715	–	51	(332)	–	2,113	–
S94A levies – under a plan	788	255	–	25	–	–	1,068	–
Total S94 revenue under plans	2,467	970	–	76	(332)	–	3,181	–
S94 not under plans	217	23	–	6	(15)	–	231	–
S64 contributions	1,762	3,479	–	67	(1,695)	–	3,613	–
Total contributions	4,446	4,472	–	149	(2,042)	–	7,025	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Eurobodalla Local Infrastructure Contributions Plan 2012, Community and Cultural Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Northern district	(116)	3	–	(4)	–	117	–	117
– Central district	32	3	–	1	–	(36)	–	(36)
– Southern district	70	2	–	2	–	(74)	–	(74)
Total	(14)	8	–	(1)	–	7	–	7

Development Contributions 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Shire wide	191	22	–	6	(1)	(218)	–	(218)
Total	191	22	–	6	(1)	(218)	–	(218)

Development Contributions 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Batemans Bay	117	–	–	3	–	(117)	3	(117)
– Moruya	(26)	–	–	(2)	(40)	68	–	68
– Narooma	127	–	–	4	–	(74)	57	(74)
Total	218	–	–	5	(40)	(123)	60	(123)

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Eurobodalla Local Infrastructure Contributions Plan 2012, Roads

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Shire wide	(29)	376	–	2	(150)	–	199	–
Total	(29)	376	–	2	(150)	–	199	–

Eurobodalla Local Infrastructure Contributions Plan 2012, Open Space and Recreation Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Shire wide	106	57	–	3	–	(166)	–	(166)
– Northern district	(8)	42	–	–	–	(34)	–	(34)
– Central district	(227)	17	–	(5)	–	215	–	215
– Southern district	(102)	2	–	(2)	–	102	–	102
Total	(231)	118	–	(4)	–	117	–	117

Eurobodalla Local Infrastructure Contributions Plan 2012, Plan Preparation and Administration

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Shire wide	(204)	19	–	(5)	(27)	217	–	217
Total	(204)	19	–	(5)	(27)	217	–	217

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Eurobodalla Local Infrastructure Contributions Plan 2012, Paths and Cycleway Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Northern district	15	9	–	–	–	–	24	–
– Central district	25	10	–	1	–	–	36	–
– Southern district	4	1	–	–	–	–	5	–
Total	44	20	–	1	–	–	65	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Northern district	7	–	–	–	(7)	–	–	–
– Southern district	61	–	–	–	(61)	–	–	–
Total	68	–	–	–	(68)	–	–	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Area 1 - Nelligen West	53	–	–	1	–	–	54	–
– Area 2A - NW Batemans Bay	401	14	–	11	–	–	426	–
– Area 2B - Long Beach	72	–	–	2	–	–	74	–
– Area 3B - Surf Beach/Malua Bay	250	71	–	8	(8)	–	321	–
– Area 4 - Bimbimbi	59	23	–	3	–	–	85	–
– Area 5 - Polwambra	146	–	–	4	–	–	150	–
– Area 6 - Moruya	15	30	–	1	–	–	46	–
– Area 7 - Congo/Bingi	217	10	–	6	(38)	–	195	–
– Area 8 - South Narooma	253	4	–	7	–	–	264	–
– Area 9 - Tilba	170	–	–	4	–	–	174	–
Total	1,636	152	–	47	(46)	–	1,789	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 94A	788	255	–	25	–	–	1,068	–
Total	788	255	–	25	–	–	1,068	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	200	17	–	5	–	–	222	–
Parking	17	6	–	1	(15)	–	9	–
Total	217	23	–	6	(15)	–	231	–

S64 contributions

Development Servicing Plan - Eurobodalla Shire Water Supply

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water headworks	1,633	1,897	–	56	(684)	–	2,902	–
Total	1,633	1,897	–	56	(684)	–	2,902	–

Development Servicing Plan - Eurobodalla Shire Sewerage Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sewerage headworks	129	1,582	–	11	(1,011)	–	711	–
Total	129	1,582	–	11	(1,011)	–	711	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years. The expected contribution to be made in 2017-18 is \$709,026. The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements 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 year ended 30 June 2017

Note 18. Contingencies and 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.

(iii) Potential land acquisitions due to planning restrictions imposed by Council

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 (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:**(i) Land under roads**

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

(ii) Infringement notices/fines

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

Council's 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.

Note 19. Interests in other entities

Council's objectives can and in some cases are best met through the use of separate entities and operations. As detailed in Note 1, there are various committees through which Council controls resources in order to carry on functions as required by or for the benefit of the community. The total value of funds held for these entities totalled \$120,551 as at 30 June 2017. These funds have been included in the consolidated financial statements forming part of this report as are deemed immaterial in nature and value to be reported on separately.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		742,538	725,582
a. Correction of prior period errors	20 (c)	—	(6,529)
b. Net operating result for the year		23,212	23,485
Balance at end of the reporting period		765,750	742,538

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	534,080	628,582
Total	534,080	628,582

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	628,582	642,820
– Revaluations for the year	(94,502)	(14,238)
– Balance at end of year	534,080	628,582

TOTAL VALUE OF RESERVES

534,080	628,582
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(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

– The infrastructure, property, plant and 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 no correction of errors during the current reporting period. The adjustment in 2016 relates to a correction of the remaining lives used in the revaluation of the Transport asset class.

(d) Voluntary changes in accounting policies

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	6,191	18,206	33,259
User charges and fees	11,056	807	17,649
Interest and investment revenue	563	423	1,795
Other revenues	75	84	1,932
Grants and contributions provided for operating purposes	206	194	20,414
Grants and contributions provided for capital purposes	1,976	5,402	8,820
Total income from continuing operations	20,067	25,116	83,868
Expenses from continuing operations			
Employee benefits and on-costs	2,942	3,748	28,883
Borrowing costs	57	729	1,761
Materials and contracts	5,576	5,919	13,242
Depreciation and amortisation	5,987	6,710	16,411
Other expenses	726	838	8,375
Net losses from the disposal of assets	1,442	660	1,833
Total expenses from continuing operations	16,730	18,604	70,505
Operating result from continuing operations	3,337	6,512	13,363
Net operating result for the year	3,337	6,512	13,363
Net operating result attributable to each council fund	3,337	6,512	13,363
Net operating result for the year before grants and contributions provided for capital purposes	1,361	1,110	4,543

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Eurobodalla Shire Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	795	656	10,984
Investments	22,826	18,821	50,353
Receivables	3,421	189	7,509
Inventories	60	–	623
Other	122	–	271
Non-current assets classified as 'held for sale'	–	–	445
Total current assets	27,224	19,666	70,185
Non-current assets			
Receivables	–	–	131
Infrastructure, property, plant and equipment	190,509	247,612	826,245
Total non-current assets	190,509	247,612	826,376
TOTAL ASSETS	217,733	267,278	896,561
LIABILITIES			
Current liabilities			
Payables	2	11	11,222
Income received in advance	–	–	326
Borrowings	71	2,542	6,720
Provisions	–	–	10,181
Total current liabilities	73	2,553	28,449
Non-current liabilities			
Borrowings	995	14,990	32,473
Provisions	–	–	2,209
Total non-current liabilities	995	14,990	34,682
TOTAL LIABILITIES	1,068	17,543	63,131
Net assets	216,665	249,735	833,430
EQUITY			
Retained earnings	156,293	123,885	485,572
Revaluation reserves	60,372	125,850	347,858
Other reserves	–	–	–
Council equity interest	216,665	249,735	833,430
Total equity	216,665	249,735	833,430

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

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017	2017	2016	2016
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	445	–	26	–
Total non-current assets 'held for sale'	445	–	26	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>445</u>	<u>–</u>	<u>26</u>	<u>–</u>

(ii) Details of assets and disposal groups

As at 30 June 2017 there were 4 parcels of land held for sale with Real Estate Agents.

\$ '000	Assets 'held for sale'	
	2017	2016
(iii) Reconciliation of non-current assets 'held for sale' – i.e. discontinued operations		
Opening balance	26	457
Less: carrying value of assets/operations sold	–	(442)
Balance still unsold after 12 months:	26	15
Less: Disposals or assets no longer classified as 'held for sale'	(416)	–
Plus new transfers in:		
– Asset reclassifications and revaluations 'held for sale'	835	11
Closing balance of 'held for sale' non-current assets and operations	<u>445</u>	<u>26</u>

Refer to Note 27. Fair value measurement for fair value measurement information.

Eurobodalla Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) and 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 applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 24/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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 assets 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 year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has various garbage centres and transfer stations situated around the community. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Brou Waste Management Facility	2019-20	954	829
Surf Beach Waste Management Facility	2018-19	881	831
Moruya Waste Transfer Station	2016-17	—	291
Remediation works at Moruya have been completed.			
Balance at end of the reporting period	10(a)	1,835	1,951

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	1,951	2,038
Effect of a change in discount rates used in PV calculations	(41)	12
Effect of a change in other calculation estimates used	180	(150)
Amortisation of discount (expensed to borrowing costs)	37	51
Expenditure incurred attributable to provisions	(291)	—
Total – reinstatement, rehabilitation and restoration provision	1,836	1,951

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries**Restoration**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and 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. The 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 and restoration 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.

Other movements in the provisions for close down and restoration 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.

Rehabilitation

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 reporting 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 reporting 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 unwinding 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 year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment		—	—	16,489	16,489
Office equipment		—	—	1,636	1,636
Furniture and fittings		—	—	260	260
Operational land	30/06/15	—	—	64,228	64,228
Community land	30/06/16	—	—	105,940	105,940
Land under roads	30/06/14	—	—	19,393	19,393
Land improvements – non-depreciable	30/06/16	—	—	32	32
Land improvements – depreciable	30/06/16	—	—	582	582
Buildings – non-specialised	30/06/13	—	—	33,762	33,762
Buildings – specialised	30/06/13	—	—	27,300	27,300
Other recreational assets	30/06/16	—	—	32,965	32,965
Other structures	30/06/16	—	—	9,315	9,315
Roads	30/06/15	—	—	367,978	367,978
Bridges	30/06/15	—	—	25,043	25,043
Footpaths	30/06/15	—	—	23,602	23,602
Stormwater drainage	30/06/15	—	—	83,855	83,855
Water supply network	30/06/12	—	—	275,993	275,993
Sewerage network	30/06/12	—	—	230,924	230,924
Swimming pools	30/06/16	—	—	1,234	1,234
Library books		—	—	596	596
Other		—	—	5	5
Capital Works in Progress		—	—	18,117	18,117
Total infrastructure, property, plant and equipment		—	—	1,339,249	1,339,249
Non-current assets classified as ‘held for sale’					
Land held for sale	30/06/13	—	—	26	26
Total NCA’s classified as ‘held for sale’		—	—	26	26

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Council’s policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

Council's financial assets are all valued at quoted market prices, and therefore meet the criteria of Level 1. According to the Code of Accounting Practice and Financial Reporting (Ugate 25), Cash, Term Deposits, payables etc are not included in Note 27.

Financial liabilities

Financial liabilities are raised at Fixed quoted rates and do change during their life. As a result they are classified as Level 1.

Investment properties

Investment properties are valued externally and are classified as Level 3 because there are a number of unobservable inputs that could change the valuation at sale.

Infrastructure, property, plant and equipment (IPP&E)

Plant and equipment, office equipment and furniture and fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- * Plant & Equipment : Trucks, graders, ride on mowers, motor vehicles
- * Office Equipment : Computers, photocopiers, electronic whiteboards
- * Furniture & Fittings : Chairs, desks, display systems

The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market, therefore placing these assets in Level 3.

Operational and community land

Operational Land is based on an external valuation by Liquid Pacific Holdings Pty Ltd and all fair values are derived with reference to market influences.

Community Land is based on either the Land Value provided by the Valuer-General or an average rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Infrastructure, property, plant and equipment (IPP&E) (continued)

Land under roads

Land under roads includes land under roadways, footpaths, nature strips and median strips. Council has elected to recognise all land under roads in accordance with AASB 16 - Property, Plant and Equipment. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting. The asset class is classified as a Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land improvements – depreciable and non-depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located in parks, reserves and also within road reserves. Land Improvements were valued in house by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgment and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings – non-specialised and specialised

Council engaged Liquid Pacific Holdings Pty Ltd to value all buildings and shelters in 2013. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Other structures

Other Structures include boardwalks, boat ramps, aerodrome runway, jetties, retaining walls and sea walls. The replacement cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life impact on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Roads

This asset class includes road pavements and surfaces.

The replacement cost approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and engineering standards by Council's Infrastructure Services Directorate.

The valuation is based on the recorded condition and performance of the assets. During 2013/14 an automated and visual condition assessment of all our sealed roads was undertaken and recorded. The anticipated residual life of an asset was derived from its current performance and condition as recorded in Council's Pavement Management System. Residual lives are then modified to reflect planned works within the current Delivery Plan and adopted maximum lives.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Infrastructure, property, plant and equipment (IPP&E) (continued)

Bridges

Bridges were valued internally using the replacement cost approach. This approach estimated the replacement cost for each bridge by componentising the bridge into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails.

This asset class is categorised as Level 3 as some of the factors used in the valuation of these assets such as condition rating and pattern of consumption require significant professional judgment and are therefore unobservable.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally. Replacement costs (unit rates) and useful lives of Council footpaths were determined using technical knowledge and expertise. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Stormwater drainage

The stormwater Drainage Asset class consists of Council's pits, pipes, pollution control devices and flow management structures. Council staff completed a valuation of these assets internally using the replacement cost approach.

The valuation is based on the recorded condition and performance of a representative sub-set of the network. During 2014/15 a CCTV inspection was undertaken of an identified portion of the network and recorded. The anticipated residual life and replacement cost of the drainage assets were derived from its age and modified to reflect the percentage of assets that would require replacement and the percentage that would have other treatments.

Water supply network

Assets within this class comprise dams and harvesting, reservoirs, pumping stations, water pipelines and telemetry systems.

The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Water Supply Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Infrastructure, property, plant and equipment (IPP&E) (continued)

Sewerage network

Assets within this class include treatment works, pumping stations and sewerage mains, including reuse systems. The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Sewerage Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

Swimming pools

Assets within this classification comprise the swimming pools.

Swimming Pools were valued in-house utilising Council's experienced engineering staff. The cost approach has been used based on the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value.

Other open space / recreational assets

Councils recreational facilities register includes all assets associated with the sports fields, bushland and park locations. This includes but is not limited to, ovals, playing courts, playgrounds and fences. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management). Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Library books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of these items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

Tip assets

Council operates three waste management facilities. Two of these encompass landfilling operations whilst the other is a transfer station. The facilities also incorporate waste minimisation services including recycling, reclaimed products and environmental management controls.

Closure of a waste management facility will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, decommissioning and removal of infrastructure and equipment and fencing sensitive area's.

The key unobservable inputs used to calculate closure costs include discount rates, inflation, closure timing, cost estimates, the amount of area subject to rehabilitation. Valuation was conducted by experienced Council Waste Management experts.

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/15	15,724	1,839	287	65,206	83,055
Purchases (GBV)	3,775	373	60	11	4,219
Disposals (WDV)	(626)	(0)	(0)	–	(626)
Depreciation and impairment	(2,335)	(576)	(86)	–	(2,998)
Adjustments and transfers	(49)	–	–	(989)	(1,038)
Closing balance – 30/6/16	16,489	1,636	260	64,228	82,613
Purchases (GBV)	3,403	440	64	406	4,313
Disposals (WDV)	(717)	–	–	–	(717)
Depreciation and impairment	(2,361)	(513)	(60)	(10)	(2,944)
Adjustments and transfers	(2,007)	4	–	1,635	(368)
Closing balance – 30/6/17	14,807	1,567	264	66,259	82,897

	Community land	Land under roads	Land improvem- -ents non- depreciable	Land improvem- -ents depreciable	Total
Opening balance – 1/7/15	127,735	19,296	220	2,678	149,929
Purchases (GBV)	77	97	–	13	187
Depreciation and impairment	–	–	–	(47)	(47)
Adjustments and transfers	989	–	(188)	(2,063)	(1,262)
Revaluation decrements to equity (ARR)	(22,895)	–	–	–	(22,895)
Revaluation increments to equity (ARR)	33	–	–	–	33
Closing balance – 30/6/16	105,939	19,393	32	581	125,946
Purchases (GBV)	–	529	–	–	529
Depreciation and impairment	(5)	(1)	–	(13)	(19)
Adjustments and transfers	(1,872)	–	–	–	(1,872)
Closing balance – 30/6/17	104,062	19,921	32	568	124,584

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings	Buildings specialised n/a in 16-17	Other structures	Roads	Total
Opening balance – 1/7/15	60,792	–	7,287	366,503	434,582
Purchases (GBV)	3,096	–	2,204	9,288	14,587
Disposals (WDV)	(65)	–	(163)	(1,011)	(1,240)
Depreciation and impairment	(2,381)	–	(560)	(6,801)	(9,743)
Adjustments and transfers	(378)	–	(3,603)	–	(3,981)
Revaluation increments to equity (ARR)	–	–	4,151	–	4,151
Closing balance – 30/6/16	61,063	–	9,315	367,979	438,356
Purchases (GBV)	4,716	–	15	11,969	16,700
Disposals (WDV)	(2)	–	(12)	(1,166)	(1,180)
Depreciation and impairment	(2,354)	–	(546)	(6,957)	(9,857)
Adjustments and transfers	(196)	–	424	(3)	225
Closing balance – 30/6/17	63,227	–	9,196	371,822	444,244

	Bridges	Footpaths	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/15	23,092	22,495	82,464	275,715	403,766
Purchases (GBV)	2,748	1,667	2,661	3,014	10,090
Disposals (WDV)	(303)	(26)	(145)	(949)	(1,423)
Depreciation and impairment	(565)	(534)	(1,057)	(5,824)	(7,980)
Adjustments and transfers	70	–	(69)	(9)	(8)
Revaluation increments to equity (ARR)	–	–	–	4,046	4,046
Closing balance – 30/6/16	25,042	23,602	83,855	275,992	408,491
Purchases (GBV)	2,802	1,506	1,723	2,430	8,461
Disposals (WDV)	(560)	(210)	(269)	(1,450)	(2,489)
Depreciation and impairment	(577)	(580)	(1,108)	(5,645)	(7,910)
Adjustments and transfers	(1)	107	–	1,686	1,792
Revaluation decrements to equity (ARR)	–	–	–	(88,752)	(88,752)
Closing balance – 30/6/17	26,706	24,425	84,201	184,261	319,593

Eurobodalla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Sewerage network	Swimming pools	Open space recreation- al assets	Library books	Total
Opening balance – 1/7/15	229,030	1,098	29,172	526	259,826
Purchases (GBV)	4,990	149	2,328	238	7,705
Disposals (WDV)	(207)	(1)	(36)	–	(244)
Depreciation and impairment	(6,316)	(69)	(1,829)	(168)	(8,382)
Adjustments and transfers	76	32	6,275	–	6,383
Revaluation decrements to equity (ARR)	–	–	(2,944)	–	(2,944)
Revaluation increments to equity (ARR)	3,351	24	–	–	3,375
Closing balance – 30/6/16	230,924	1,233	32,965	596	265,719
Purchases (GBV)	14,971	156	2,049	213	17,389
Disposals (WDV)	(671)	(1)	(214)	–	(886)
Depreciation and impairment	(6,552)	(137)	(1,519)	(183)	(8,391)
Adjustments and transfers	(11)	–	(6)	–	(17)
Revaluation decrements to equity (ARR)	(6,343)	1	1	(1)	(6,342)
Closing balance – 30/6/17	232,318	1,252	33,276	625	267,472

	Other	Tip assets	Land held for sale	Total
Opening balance – 1/7/15	111	–	457	568
Purchases (GBV)	–	–	11	11
Disposals (WDV)	–	–	(442)	(442)
Depreciation and impairment	(11)	–	–	(11)
Adjustments and transfers	(95)	–	–	(95)
Closing balance – 30/6/16	5	–	26	31
Disposals (WDV)	–	–	(415)	(415)
Adjustments and transfers	–	–	596	596
Revaluation increments to equity (ARR)	–	–	238	238
Closing balance – 30/6/17	5	–	445	450

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. This includes the Councillors, General Manager and the Executive Leadership Team.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual
Compensation:	2017
Short-term benefits	1,250
Post-employment benefits	126
Other long-term benefits	66
Total	<u>1,442</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Supply of goods and trade services	4	78	9	30 day terms on invoices	—	—
Payment of Insurance Premiums (KMP is Board Member)	4	1,035	—	30 day terms on invoices	—	—
Employee expenses relating to close family members	4	82	—	Council Staff Award	—	—

c. Other related party transactions

Nil



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Eurobodalla Shire Council

To the Councillors of the Eurobodalla Shire Council

Opinion

I have audited the accompanying financial statements of Eurobodalla Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils

- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

27 October 2017
SYDNEY

The Mayor
Councillor Liz Innes
Eurobodalla Shire Council
PO Box 99
MORUYA NSW 2537

Contact: Karen Taylor
Phone no: 9275 7100
Our ref: D1728388/1722

27 October 2017

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2017 Eurobodalla Shire Council

I have audited the general purpose financial statements of the Eurobodalla Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	57.7	55.1	4.7 ↑
Grants and contributions revenue	37.0	34.9	6.0 ↑
Operating result for the year	23.1	23.5	1.7 ↓
Net operating result before capital amounts	7.0	9.7	27.8 ↓

Rates and annual charges revenue

Growth in revenue from rates and annual charges of 4.7 per cent is consistent with the special rate variation and the 2016–17 budget.

Grants and Contributions.

The advance receipt of \$3.3 million for the 2017–18 financial assistance grant contributed to the overall increase in grants and contributions revenue. Operating grants and contributions of \$20.8 million represented 16.1 percent (2016: 16.9 percent) of total income from continuing operations. Capital grants and contributions amounted to \$16.2 million and represented 12.6 percent (2016: 10.9 percent) of total income from continuing operations.

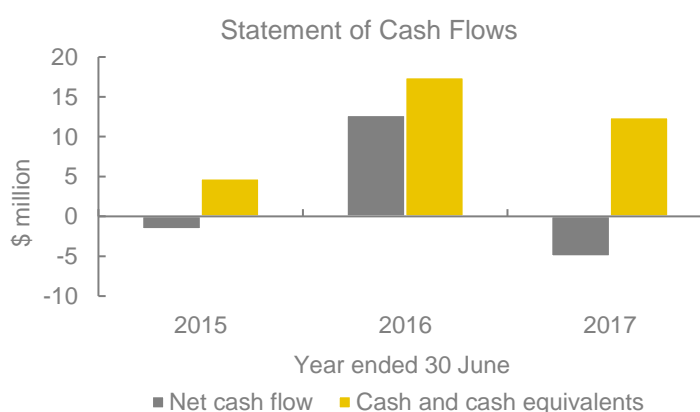
Operating Result.

Council's operating result was also impacted by a \$3.9 million loss on disposal of assets. Depreciation and amortisation of \$29.1 million (2016: \$29.2 million) was consistent with the prior year and favourable against the budget of \$29.8 million.

The operating result before capital amounts was impacted by higher capital grants and contributions in the current year.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalent balances decreased by \$5.0 million to \$12.4 million, with \$53.6 million being provided from operations, \$63.6 million net used in investing activities to acquire or sell financial assets and non-current assets, and \$5.0 million provided from financing activities.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	60.9	49.3	Council's externally restricted cash and investments increased by 23.5 per cent mainly due to: <ul style="list-style-type: none"> developer contributions for the general, water and sewer funds exceeding related expenditure by \$2.6 million positive cash results in water supply, sewer and domestic waste management services were retained for future investment.
Internal restrictions	20.9	18.3	
Unrestricted	22.6	26.8	
Cash and investments	104.4	94.4	<p>Council's internally restricted cash and investments increased by 14.6 per cent largely due to advance receipt of the 2017–18 financial assistance grant.</p> <p>Council's unrestricted cash and investments have decreased by \$4.2 million, but they have sufficient liquidity for day-to-day operations.</p>

Debt

Council has access to lines of credit totalling \$2.3 million, including an overdraft facility of \$2.0 million. The bank overdraft facility was not utilised.

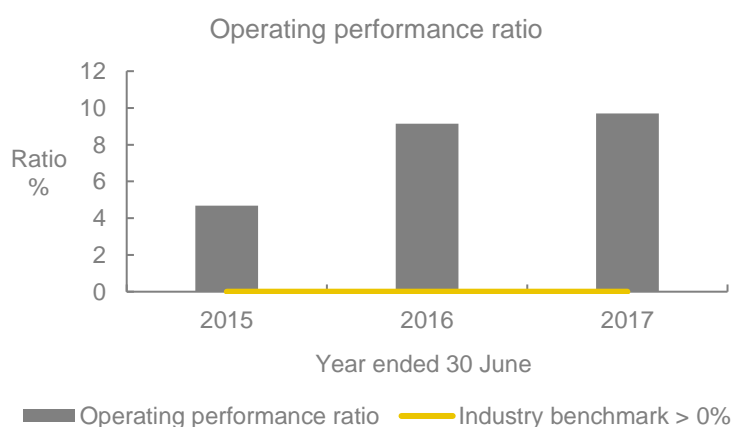
PERFORMANCE RATIOS

Operating performance ratio

Council's operating performance ratio of 9.7 percent in 2016–17 continues to exceed the benchmark.

The main factor contributing to the improved ratio was the advance receipt of the 2017–18 financial assistance grant.

The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

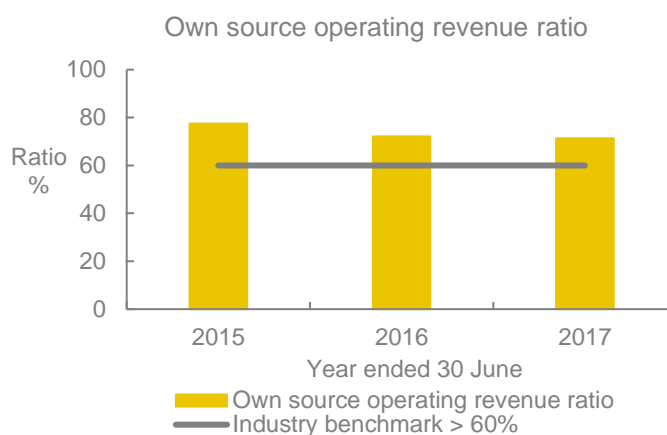


Own source operating revenue ratio

Council's own source operating ratio of 71.3 percent reflects a low level of reliance on grant revenue and exceeds the benchmark.

The ratio has remained relatively stable over the last three years with the 2016–17 ratio slightly affected by the advance receipt of the 2017–18 financial assistance grant.

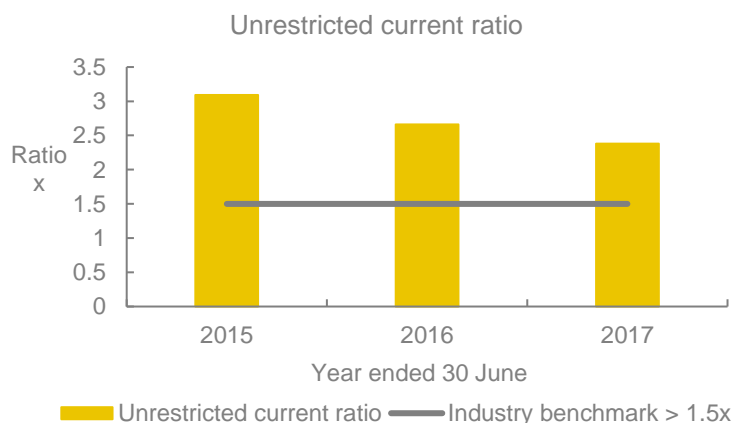
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

This ratio indicates that Council currently has \$2.38 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the benchmark.

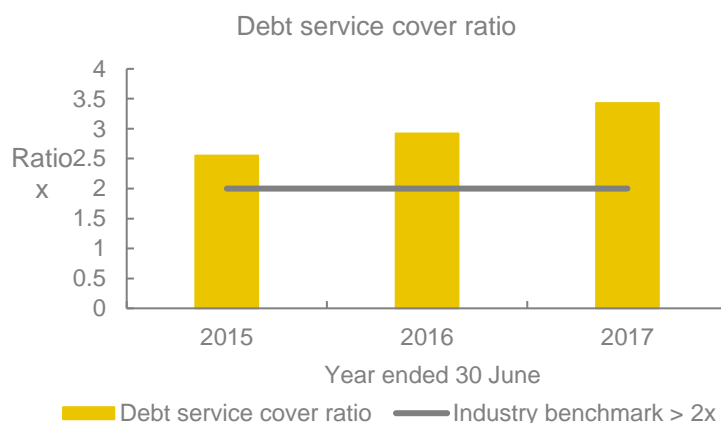
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio of 3.4 times continues to exceed benchmark. The ratio improved due to lower borrowing costs this year.

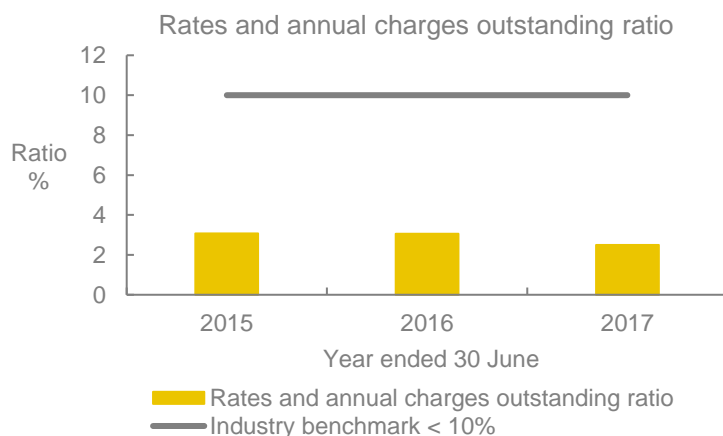
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's outstanding rates and charges ratio of 2.5 percent remains within the benchmark.

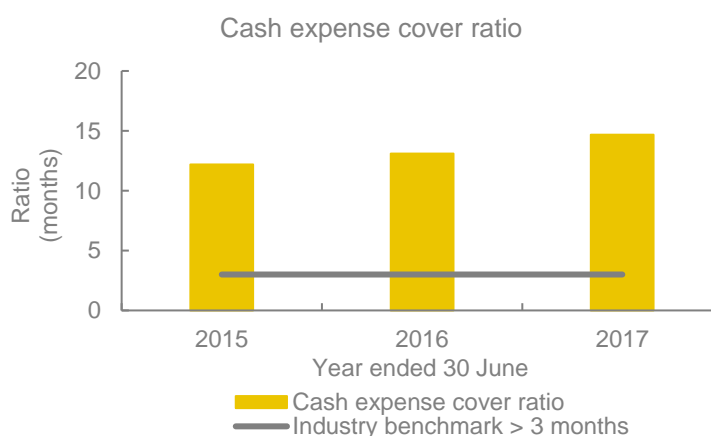
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's cash expense cover ratio of 14.7 months continues to exceed the benchmark. This reflects the substantial balance of cash and term deposits.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

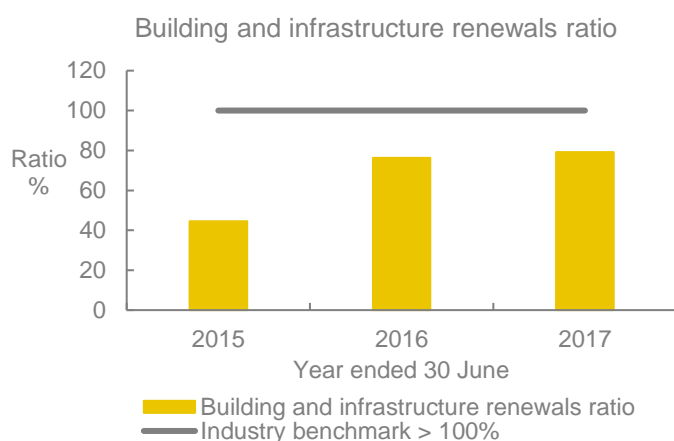


Building and infrastructure renewals ratio

Council's infrastructure renewals ratio is below industry benchmarks. This ratio has improved due to Council's increased commitment to asset renewal.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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2. Special Purpose Financial Statements:	
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Income Statement – Other Business Activities	5
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

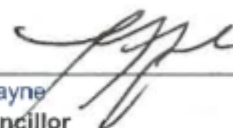
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

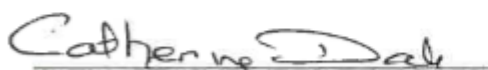
Signed in accordance with a resolution of Council made on 24 October 2017.



L Innes
Mayor



A Mayne
Councillor



Dr C Dale
General manager



A O'Reilly
Responsible accounting officer

Eurobodalla Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	6,191	6,047
User charges	10,682	9,872
Fees	374	292
Interest	563	445
Grants and contributions provided for non-capital purposes	206	202
Other income	75	72
Total income from continuing operations	18,091	16,930
Expenses from continuing operations		
Employee benefits and on-costs	2,942	2,775
Borrowing costs	57	159
Materials and contracts	5,576	4,977
Depreciation, amortisation and impairment	5,987	6,151
Water purchase charges	—	—
Loss on sale of assets	1,442	585
Calculated taxation equivalents	30	31
Other expenses	726	624
Total expenses from continuing operations	16,760	15,302
Surplus (deficit) from continuing operations before capital amounts	1,331	1,628
Grants and contributions provided for capital purposes	1,976	1,831
Surplus (deficit) from continuing operations after capital amounts	3,307	3,459
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	3,307	3,459
Less: corporate taxation equivalent (30%) [based on result before capital]	(399)	(488)
SURPLUS (DEFICIT) AFTER TAX	2,908	2,971
Plus opening retained profits	153,048	149,288
Plus/less: asset revaluation reserve transfers	536	301
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	31
– Debt guarantee fees	—	—
– Corporate taxation equivalent	399	488
Less:		
– Tax equivalent dividend paid	(30)	(31)
– Surplus dividend paid	(598)	—
Closing retained profits	156,293	153,048
Return on capital %	0.7%	0.6%
Subsidy from Council	3,146	4,366
Calculation of dividend payable:		
Surplus (deficit) after tax	2,908	2,971
Less: capital grants and contributions (excluding developer contributions)	(26)	(110)
Surplus for dividend calculation purposes	2,882	2,861
Potential dividend calculated from surplus	1,441	1,430

Eurobodalla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	18,206	17,773
User charges	686	633
Liquid trade waste charges	121	112
Interest	423	535
Grants and contributions provided for non-capital purposes	194	190
Profit from the sale of assets	–	272
Other income	84	89
Total income from continuing operations	19,714	19,604
Expenses from continuing operations		
Employee benefits and on-costs	3,748	3,698
Borrowing costs	729	1,097
Materials and contracts	5,919	5,393
Depreciation, amortisation and impairment	6,710	6,476
Loss on sale of assets	660	–
Calculated taxation equivalents	42	44
Other expenses, including electricity	838	776
Total expenses from continuing operations	18,646	17,484
Surplus (deficit) from continuing operations before capital amounts	1,068	2,120
Grants and contributions provided for capital purposes	5,402	5,056
Surplus (deficit) from continuing operations after capital amounts	6,470	7,176
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	6,470	7,176
Less: corporate taxation equivalent (30%) [based on result before capital]	(320)	(636)
SURPLUS (DEFICIT) AFTER TAX	6,150	6,540
Plus opening retained profits	117,860	110,947
Plus/less: asset revaluation reserve transfers	98	268
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	42	44
– Debt guarantee fees	–	–
– Corporate taxation equivalent	320	636
Less:		
– Tax equivalent dividend paid	(42)	(44)
– Surplus dividend paid	(543)	(531)
Closing retained profits	123,885	117,860
Return on capital %	0.7%	1.3%
Subsidy from Council	4,096	2,172
Calculation of dividend payable:		
Surplus (deficit) after tax	6,150	6,540
Less: capital grants and contributions (excluding developer contributions)	(3,003)	(2,240)
Surplus for dividend calculation purposes	3,147	4,300
Potential dividend calculated from surplus	1,573	2,150

Eurobodalla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Batemans Bay
Beach Resort

Category 1

\$ '000	Category 1	
	Actual 2017	Actual 2016
Income from continuing operations		
User charges	2,434	2,646
Other income	37	25
Total income from continuing operations	2,471	2,671
Expenses from continuing operations		
Employee benefits and on-costs	4	6
Borrowing costs	505	589
Materials and contracts	954	1,107
Depreciation, amortisation and impairment	462	388
Calculated taxation equivalents	35	35
Other expenses	426	437
Total expenses from continuing operations	2,386	2,562
Surplus (deficit) from continuing operations before capital amounts	85	109
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	85	109
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	85	109
Less: corporate taxation equivalent (30%) [based on result before capital]	(26)	(33)
SURPLUS (DEFICIT) AFTER TAX	60	76
Plus opening retained profits	(3,904)	(4,013)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	35
– Corporate taxation equivalent	26	33
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	(35)	(35)
Closing retained profits	(3,819)	(3,904)
Return on capital %	7.0%	7.9%
Subsidy from Council	—	—

Eurobodalla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	795	942
Investments	22,826	15,802
Receivables	3,421	3,374
Inventories	60	60
Other	122	122
Total current assets	27,224	20,300
Non-current assets		
Infrastructure, property, plant and equipment	190,509	283,553
Total non-current assets	190,509	283,553
TOTAL ASSETS	217,733	303,853
LIABILITIES		
Current liabilities		
Payables	2	2
Borrowings	71	71
Total current liabilities	73	73
Non-current liabilities		
Borrowings	995	1,069
Total non-current liabilities	995	1,069
TOTAL LIABILITIES	1,068	1,142
NET ASSETS	216,665	302,711
EQUITY		
Retained earnings	156,293	153,048
Revaluation reserves	60,372	149,663
Council equity interest	216,665	302,711
TOTAL EQUITY	216,665	302,711

Eurobodalla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	656	954
Investments	18,821	16,003
Receivables	189	175
Total current Assets	19,666	17,132
Non-current assets		
Infrastructure, property, plant and equipment	247,612	248,330
Total non-current assets	247,612	248,330
TOTAL ASSETS	267,278	265,462
LIABILITIES		
Current liabilities		
Payables	11	36
Borrowings	2,542	3,195
Total current liabilities	2,553	3,231
Non-current liabilities		
Borrowings	14,990	12,073
Total non-current liabilities	14,990	12,073
TOTAL LIABILITIES	17,543	15,304
NET ASSETS	249,735	250,158
EQUITY		
Retained earnings	123,885	117,860
Revaluation reserves	125,850	132,298
Council equity interest	249,735	250,158
TOTAL EQUITY	249,735	250,158

Eurobodalla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Batemans Bay
Beach Resort

Category 1

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Receivables	28	115
Other	–	21
Total Current Assets	28	136
Non-current assets		
Infrastructure, property, plant and equipment	8,473	8,884
Total non-current assets	8,473	8,884
TOTAL ASSETS	8,501	9,020
LIABILITIES		
Current liabilities		
Bank overdraft	3,216	3,041
Payables	123	281
Borrowings	1,349	2,382
Total current liabilities	4,688	5,704
Non-current liabilities		
Borrowings	7,111	6,699
Total non-current liabilities	7,111	6,699
TOTAL LIABILITIES	11,799	12,403
NET ASSETS	(3,298)	(3,383)
EQUITY		
Retained earnings	(3,820)	(3,905)
Revaluation reserves	522	522
Council equity interest	(3,298)	(3,383)
TOTAL EQUITY	(3,298)	(3,383)

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses - A Guide to Competitive Neutrality, issued by the Office of Local Government in July 1997, has also been adopted.

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

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Eurobodalla Water Supply

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

b. Eurobodalla Sewerage Fund

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

c. Batemans Bay Beach Resort

Caravan Park operated on Crown Reserve. Operated by contractor and owned by Council.

Category 2

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

Council has no Category 2 Business Activities

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of **\$549,001 up to \$3,357,000** the rate is **1.6% + \$100**. For the remaining combined land value that **exceeds \$3,357,000** a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of **\$750,000**.

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	29,968
(ii)	Number of assessments multiplied by \$3/assessment	63,237
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	29,968
(iv)	Amounts actually paid for tax equivalents	29,968

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,440,861
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	602,402
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	7,243,322

2017 Surplus	2,881,722	2016 Surplus	2,860,600	2015 Surplus	1,501,000
		2016 Dividend	—	2015 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	602,402
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	598,460
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	19,504
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	59.59%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	186,260
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,243
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,113
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.26%

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	42,000
(ii)	Number of assessments multiplied by \$3/assessment	58,989
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	42,000
(iv)	Amounts actually paid for tax equivalents	41,857

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,573,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	547,890
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	8,434,600

2017 Surplus	3,146,600	2016 Surplus	4,300,000	2015 Surplus	2,049,000
		2016 Dividend	531,000	2015 Dividend	530,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	547,890
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	543,340
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage)	\$'000	21,700
	Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)		
NWI F12	Operating cost (sewerage)	\$'000	10,505
	Management expenses (s1) + operational and maintenance expenses (s2)		
NWI F15	Capital expenditure (sewerage)	\$'000	13,071
	Acquisition of fixed assets (s17)		
NWI F18	Economic real rate of return (sewerage)	%	1.89%
	[total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDC) of system assets (s48) + plant and equipment (s34b)]		
NWI F27	Capital works grants (sewerage)	\$'000	2,993
	Grants for the acquisition of assets (12a)		

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F3	Total income (water and sewerage)	\$'000	39,102
	Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)		
NWI F8	Revenue from community service obligations (water and sewerage)	%	1.02%
	Community service obligations (NWI F25) x 100 divided by total income (NWI F3)		
NWI F16	Capital expenditure (water and sewerage)	\$'000	16,184
	Acquisition of fixed assets (w16 + s17)		
NWI F19	Economic real rate of return (water and sewerage)	%	2.05%
	[total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]		
NWI F20	Dividend (water and sewerage)	\$'000	1,142
	Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)		
NWI F21	Dividend payout ratio (water and sewerage)	%	20.49%
	Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)		

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-4.71%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	5,572
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	400

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Eurobodalla Shire Council

To the Councillors of the Eurobodalla Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Eurobodalla Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Batemans Bay Beach Resort.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

27 October 2017
SYDNEY

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



Eurobodalla Shire Council

Special Schedules

for the year ended 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Eurobodalla Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,387	8	–	(1,379)
Administration	(630)	1,290	10	1,930
Public order and safety				
Fire service levy, fire protection, emergency services	1,784	240	1,158	(386)
Beach control	323	–	–	(323)
Enforcement of local government regulations	468	216	–	(252)
Animal control	331	59	–	(272)
Total public order and safety	2,906	515	1,158	(1,233)
Health	488	158	–	(330)
Environment				
Noxious plants and insect/vermin control	359	121	–	(238)
Other environmental protection	2,243	1,814	–	(429)
Solid waste management	9,709	11,153	22	1,466
Street cleaning	312	–	–	(312)
Stormwater management	1,756	459	–	(1,297)
Total environment	14,379	13,547	22	(810)
Community services and education				
Administration and education	669	50	–	(619)
Social protection (welfare)	2,303	2,284	–	(19)
Aged persons and disabled	3,677	2,984	–	(693)
Children's services	2,033	1,536	–	(497)
Total community services and education	8,682	6,854	–	(1,828)
Housing and community amenities				
Public cemeteries	141	189	–	48
Public conveniences	870	–	–	(870)
Street lighting	1,301	136	–	(1,165)
Town planning	3,976	1,309	–	(2,667)
Other community amenities	868	–	107	(761)
Total housing and community amenities	7,156	1,634	107	(5,415)
Water supplies	16,730	17,478	1,962	2,710
Sewerage services	18,605	19,128	5,402	5,925

Eurobodalla Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,803	175	69	(1,559)
Community centres and halls	530	137	10	(383)
Other cultural services	203	53	300	150
Sporting grounds and venues	1,469	215	30	(1,224)
Swimming pools	1,276	2	–	(1,274)
Parks and gardens (lakes)	4,754	854	324	(3,576)
Other sport and recreation	–	24	255	279
Total recreation and culture	10,035	1,460	988	(7,587)
Mining, manufacturing and construction				
Building control	844	780	–	(64)
Other mining, manufacturing and construction	(59)	–	–	59
Total mining, manufacturing and const.	785	780	–	(5)
Transport and communication				
Urban roads (UR) – local	6,619	923	907	(4,789)
Urban roads – regional	1,544	1,954	275	685
Sealed rural roads (SRR) – local	4,579	2,076	4,304	1,801
Sealed rural roads (SRR) – regional	916	1,711	–	795
Unsealed rural roads (URR) – local	946	89	–	(857)
Bridges on UR – local	53	42	–	(11)
Bridges on SRR – local	1,483	1,022	464	3
Bridges on URR – local	81	7	–	(74)
Parking areas	744	58	14	(672)
Footpaths	1,067	160	112	(795)
Aerodromes	524	381	405	262
Other transport and communication	558	56	68	(434)
Total transport and communication	19,114	8,479	6,549	(4,086)
Economic affairs				
Camping areas and caravan parks	3,160	4,304	–	1,144
Other economic affairs	3,052	868	–	(2,184)
Total economic affairs	6,212	5,172	–	(1,040)
Totals – functions	105,849	76,503	16,198	(13,148)
General purpose revenues ⁽¹⁾	(190)	36,170		36,360
NET OPERATING RESULT ⁽²⁾	105,659	112,673	16,198	23,212

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Eurobodalla Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
NSW Treasury Corporation	668	6,415	7,083	12,188	668	–	–	192	–	18,603	18,603
Other State Government	880	2,634	3,514	–	880	–	–	2	–	2,634	2,634
Financial institutions	8,300	34,199	42,499	2,622	8,309	–	–	2,230	–	36,812	36,812
Total loans	9,848	43,249	53,097	14,810	9,857	–	–	2,424	–	58,050	58,050
Total debt	9,848	43,249	53,097	14,810	9,857	–	–	2,424	–	58,050	58,050

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Eurobodalla Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	4,685	4,608
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	78	62
b. Maintenance expenses	33	18
– Mains		
c. Operation expenses	1,464	1,103
d. Maintenance expenses	969	973
– Reservoirs		
e. Operation expenses	163	104
f. Maintenance expenses	104	84
– Pumping stations		
g. Operation expenses (excluding energy costs)	43	46
h. Energy costs	417	330
i. Maintenance expenses	124	52
– Treatment		
j. Operation expenses (excluding chemical costs)	421	400
k. Chemical costs	319	217
l. Maintenance expenses	104	75
– Other		
m. Operation expenses	289	268
n. Maintenance expenses	30	35
3. Depreciation expenses		
a. System assets	5,983	6,147
b. Plant and equipment	4	4
4. Miscellaneous expenses		
a. Interest expenses	57	159
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	628	31
5. Total expenses	15,915	14,716

Eurobodalla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	5,633	5,498
b. Usage charges	8,306	7,709
7. Non-residential charges		
a. Access (including rates)	558	549
b. Usage charges	2,376	2,163
9. Interest income	563	445
10. Other income	449	364
11. Grants		
a. Grants for acquisition of assets	—	8
b. Grants for pensioner rebates	206	202
12. Contributions		
a. Developer charges	1,897	1,330
b. Developer provided assets	53	389
c. Other contributions	26	104
13. Total income	20,067	18,761
14. Gain (or loss) on disposal of assets	(1,442)	(585)
15. Operating result	2,710	3,460
15a. Operating result (less grants for acquisition of assets)	2,710	3,452

Eurobodalla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	75	163
b. New assets for growth	672	599
c. Renewals	2,276	2,101
d. Plant and equipment	90	75
17. Repayment of debt	75	1,510
18. Totals	3,188	4,448
Non-operating funds employed		
19. Proceeds from disposal of assets	13	46
20. Borrowing utilised	–	–
21. Totals	13	46
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	19,010	18,826
b. Residential (unoccupied, ie. vacant lot)	1,061	1,148
c. Non-residential (occupied)	941	941
d. Non-residential (unoccupied, ie. vacant lot)	67	67
23. Number of Equivalent Tenements (ETs) for which developer charges were received	158 ET	113 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 373,106	\$ 369,507

Eurobodalla Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	2,902	–	2,902
b. Other	20,692	–	20,692
26. Receivables			
a. Rates and availability charges	28	–	28
b. Other	3,421	–	3,421
27. Inventories	60	–	60
28. Property, plant and equipment			
a. System assets	–	187,276	187,276
b. Plant and equipment	–	3,233	3,233
29. Other assets	122	–	122
30. Total assets	27,225	190,509	217,734
LIABILITIES			
31. Creditors	2	–	2
32. Borrowings	70	995	1,065
33. Provisions			
a. Other	1	–	1
34. Total liabilities	73	995	1,068
35. NET ASSETS COMMITTED	27,152	189,514	216,666
EQUITY			
36. Accumulated surplus			156,291
37. Asset revaluation reserve			60,374
38. Other reserves			–
39. TOTAL EQUITY			216,665
Note to system assets:			
40. Current replacement cost of system assets			353,458
41. Accumulated current cost depreciation of system assets			(167,198)
42. Written down current cost of system assets			186,260

Eurobodalla Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	3,635	3,554
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	772	861
b. Maintenance expenses	240	242
– Pumping stations		
c. Operation expenses (excluding energy costs)	943	861
d. Energy costs	390	361
e. Maintenance expenses	977	830
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,080	1,991
g. Chemical costs	274	335
h. Energy costs	348	319
j. Biosolids management	395	–
k. Maintenance expenses	293	149
– Other		
l. Operation expenses	158	114
3. Depreciation expenses		
a. System assets	6,700	6,466
b. Plant and equipment	10	10
4. Miscellaneous expenses		
a. Interest expenses	729	1,097
b. Tax equivalents dividends (actually paid)	585	575
5. Total expenses	18,529	17,765

Eurobodalla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	16,539	16,093
7. Non-residential charges		
a. Access (including rates)	1,625	1,639
b. Usage charges	686	633
8. Trade waste charges		
a. Annual fees	42	41
b. Usage charges	121	112
10. Interest income	423	535
11. Other income	80	81
12. Grants		
a. Grants for acquisition of assets	2,993	1,923
b. Grants for pensioner rebates	194	190
13. Contributions		
a. Developer charges	1,582	1,088
b. Developer provided assets	817	1,728
c. Other contributions	14	325
14. Total income	25,116	24,388
15. Gain (or loss) on disposal of assets	(660)	272
16. Operating result	5,927	6,895
16a. Operating result (less grants for acquisition of assets)	2,934	4,972

Eurobodalla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	755	1,507
b. New assets for growth	10,311	7,033
c. Renewals	2,005	1,686
18. Repayment of debt	3,198	6,862
19. Totals	16,269	17,088
Non-operating funds employed		
20. Proceeds from disposal of assets	(8)	479
21. Borrowing utilised	4,811	542
22. Totals	4,803	1,021
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	17,639	17,476
b. Residential (unoccupied, ie. vacant lot)	928	1,010
c. Non-residential (occupied)	1,035	1,031
d. Non-residential (unoccupied, ie. vacant lot)	61	61
24. Number of Equivalent Tenements (Ets) for which developer charges were received	154 ET	110 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 351,400	\$ 347,690

Eurobodalla Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	711	–	711
b. Special purpose grants	983	–	983
c. Accrued leave	122	–	122
d. Unexpended loans	(422)	–	(422)
e. Other	15,555	–	15,555
27. Receivables			
a. Other	189	–	189
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	245,485	245,485
b. Plant and equipment	–	2,127	2,127
30. Other assets	2,528	–	2,528
31. Total assets	19,666	247,612	267,278
LIABILITIES			
32. Creditors	11	–	11
33. Borrowings	2,542	14,990	17,532
34. Provisions	–	–	–
35. Total liabilities	2,553	14,990	17,543
36. NET ASSETS COMMITTED	17,113	232,622	249,735
EQUITY			
37. Accumulated surplus			123,885
38. Asset revaluation reserve			125,850
39. TOTAL EQUITY			249,735
Note to system assets:			
40. Current replacement cost of system assets			412,457
41. Accumulated current cost depreciation of system assets			(177,473)
42. Written down current cost of system assets			234,984

Eurobodalla Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,P,P&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Administration	–	–	393	393	9,544	19,693	20%	79%	1%	0%	0%
	Bush Fire Brigade	280	280	150	150	2,733	4,703	19%	46%	29%	6%	0%
	Caravan Parks/Camp Grounds	–	–	499	499	7,601	12,229	61%	26%	13%	0%	0%
	Community Centres	–	–	121	121	2,249	3,914	5%	92%	3%	0%	0%
	Libraries	–	–	130	130	5,636	9,840	35%	64%	1%	0%	0%
	Operational	265	265	1,104	1,104	17,209	23,882	52%	37%	10%	1%	0%
	Parks & Reserves	96	96	105	105	782	1,830	12%	42%	41%	5%	0%
	Public Halls	48	48	67	67	3,295	6,433	20%	59%	20%	1%	0%
	Public Toilets	940	940	708	708	4,178	6,940	30%	43%	21%	6%	0%
	Sporting Facilities	–	–	253	253	8,177	15,724	31%	50%	19%	0%	0%
	Swimming Pool Centres	–	–	229	229	1,824	5,134	3%	37%	60%	0%	0%
	Sub-total	1,629	1,629	3,759	3,759	63,228	110,322	33.5%	51.6%	13.9%	1.0%	0.0%
Other structures	Other Structures	–	–	247	247	3,688	6,297	46%	38%	16%	0%	0%
	Waste Not in Buildings	–	–	1,432	1,432	5,508	7,288	65%	26%	9%	0%	0%
	Sub-total	–	–	1,679	1,679	9,196	13,585	56.2%	31.6%	12.2%	0.0%	0.0%

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads												
	Road Furniture	1,320	1,320	178	178	4,987	9,585	41%	31%	16%	12%	0%
	Unsealed roads	6,027	6,027	842	842	57,716	69,466	83%	5%	2%	10%	0%
	Bridges	886	886	216	216	26,707	44,933	55%	36%	7%	2%	0%
	Footpaths	253	253	109	109	14,770	21,623	59%	30%	10%	1%	0%
	Shared Footpaths	171	171	77	77	9,655	11,466	87%	9%	3%	1%	0%
	Kerb & Gutter	—	—	22	22	40,619	66,919	40%	50%	10%	0%	0%
	Sealed Roads Structure Regional	1,511	1,511	342	342	29,256	39,746	78%	17%	1%	4%	0%
	Sealed Roads Structure Rural	2,458	2,458	740	740	73,452	91,207	84%	12%	1%	3%	0%
	Sealed Roads Structure Urban	20,638	20,638	1,487	1,487	137,305	196,157	66%	20%	3%	11%	0%
	Sealed Roads Surface Regional	183	183	60	60	1,797	3,197	58%	32%	4%	6%	0%
	Sealed Roads Surface Rural	416	416	130	130	3,499	7,244	54%	28%	12%	6%	0%
	Sealed Roads Surface Urban	821	821	262	262	7,525	15,015	36%	52%	8%	4%	0%
	Carparks	688	688	113	113	14,730	21,028	61%	29%	6%	4%	0%
	Bus Shelter	98	98	14	14	936	1,481	58%	23%	12%	7%	0%
	Sub-total	35,470	35,470	4,592	4,592	422,953	599,067	66.4%	23.0%	4.4%	6.2%	0.0%
Water supply network												
	Dams	—	—	33	33	17,406	27,800	6%	88%	6%	0%	0%
	Pipeline	4,135	4,135	999	999	119,748	243,768	26%	50%	22%	2%	0%
	Pump Stations	3,297	3,297	124	124	2,956	8,749	24%	32%	9%	35%	0%
	Reservoirs	—	—	104	104	24,946	44,928	35%	46%	19%	0%	0%
	Treatment Plants	—	—	104	104	19,204	25,452	71%	23%	6%	0%	0%
	Sub-total	7,432	7,432	1,364	1,364	184,261	350,697	28.8%	50.1%	18.9%	2.3%	0.0%

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Pipeline	225	225	240	240	165,998	259,710	50%	40%	9%	1%	0%
	Pump Stations	7,434	7,434	977	977	24,475	54,427	27%	40%	20%	13%	0%
	Treatment Works	7,064	7,064	293	293	41,845	94,064	19%	63%	11%	7%	0%
	Sub-total	14,723	14,723	1,510	1,510	232,318	408,201	39.8%	45.3%	10.9%	4.0%	0.0%
Stormwater drainage	Drainage Roads	1,454	1,454	138	138	12,497	16,940	82%	4%	6%	8%	0%
	Drainage Works	6,891	6,891	198	198	71,705	96,626	82%	4%	6%	8%	0%
	Sub-total	8,345	8,345	336	336	84,201	113,566	82.0%	4.0%	6.0%	8.0%	0.0%
Open space/recreational assets	Swimming pools	307	307	61	61	1,252	8,144	1%	4%	91%	4%	0%
	Other Open Space Recreational	1,948	1,948	1,903	1,903	27,598	44,938	45%	39%	10%	6%	0%
	Waterways	4,875	4,875	102	102	5,678	9,040	44%	41%	15%	0%	0%
	Sub-total	7,130	7,130	2,066	2,066	34,528	62,122	39.1%	34.7%	21.3%	4.9%	0.0%
	TOTAL – ALL ASSETS	74,729	74,729	15,306	15,306	1,030,685	1,657,560	49.7%	35.3%	10.5%	4.5%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	20,567	79.18%	>= 100%	76.23%	44.56%
Depreciation, amortisation and impairment	25,976				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	74,729	7.25%	< 2%	5.40%	5.09%
Net carrying amount of infrastructure assets	1,031,252				
3. Asset maintenance ratio					
Actual asset maintenance	15,306	1.00	> 1.00	1.00	1.00
Required asset maintenance	15,306				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	74,729	4.51%		3.51%	3.35%
Gross replacement cost	1,657,560				

Notes

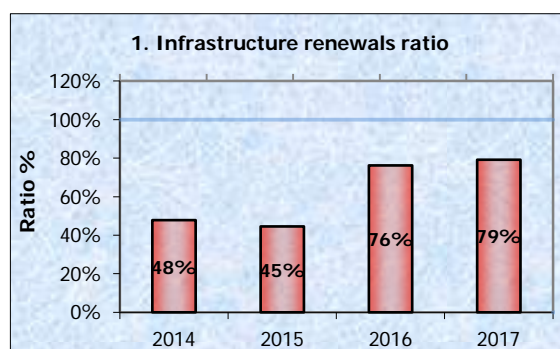
* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset renewals ratio

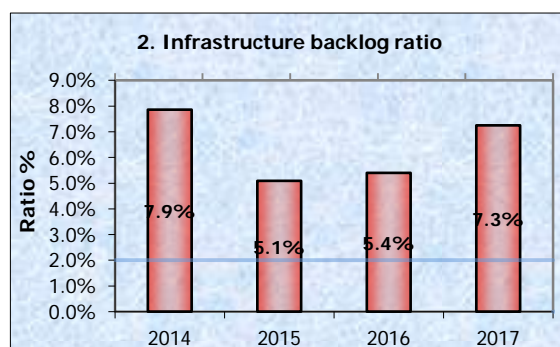
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 79.18%

The continued improvement is largely as a result of significant ongoing increases in Council's renewals program.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of infrastructure backlog ratio

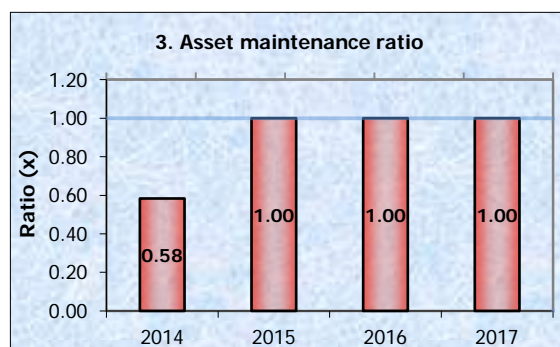
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 7.25%

Addressing the infrastructure backlog has continued to be a priority of Council. The increase in this ratio is largely as a result of an increase in the cost to bring to satisfactory and a decrease in the written down value in water and sewer. Council endeavours to continue reducing this backlog in line with being Fit for the Future.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset maintenance ratio

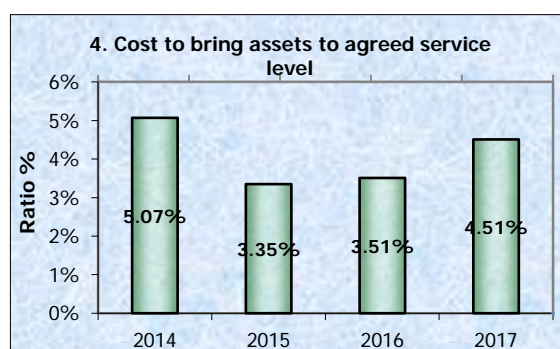
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 1.00 x

Council continues to focus on asset maintenance but, similar to Councils across NSW, faces a large financial impost associated with reducing infrastructure backlogs. Council endeavours to continue to meet the benchmark requirements in line with being Fit for the Future.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2016/17 result

2016/17 Ratio 4.51%

The increase in Council's capital works program has resulted in Council meeting the requirements of this ratio. It indicates that Council is expanding its asset base as well as continuing to renew and replace its existing assets.

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾				
<hr/>				
Depreciation, amortisation and impairment				
	>= 100%	37.04%	44.77%	112.79%
	prior period:	28.93%	24.87%	119.71%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard				
<hr/>				
Net carrying amount of infrastructure assets				
	< 2%	4.03%	6.34%	8.55%
	prior period:	2.62%	0.54%	8.51%
3. Asset maintenance ratio				
Actual asset maintenance				
<hr/>				
Required asset maintenance				
	> 1.00	1.00	1.00	1.00
	prior period:	1.00	1.00	1.00
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council				
<hr/>				
Gross replacement cost				
		2.12%	3.61%	5.85%
	prior period:	1.71%	0.31%	5.85%

Notes

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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

Eurobodalla Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	25,421	27,186
Plus or minus adjustments ⁽²⁾	b	153	98
Notional general income	$c = (a + b)$	25,574	27,284
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.37%	6.37%
or rate peg percentage	e	0.00%	0.00%
or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Plus special variation amount	$h = d \times (c - g)$	1,629	1,738
Sub-total	$k = (c + g + h + i + j)$	27,203	29,022
Plus (or minus) last year's carry forward total	l	11	26
Sub-total	$n = (l + m)$	11	26
Total permissible income	$o = k + n$	27,214	29,048
Less notional general income yield	p	27,186	29,012
Catch-up or (excess) result	$q = o - p$	28	36
Less unused catch-up ⁽⁵⁾	s	(2)	(19)
Carry forward to next year	$t = q + r - s$	26	17

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Eurobodalla Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Eurobodalla Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 27 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Karen Taylor
Director, Financial Audit Services

27 October 2017
SYDNEY