

Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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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 Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2016. 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 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement 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 financial statements are required to be audited by external accountants (that generally specialise in local government). 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 2016

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.

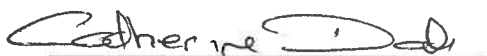
Signed in accordance with a resolution of Council made on 25 October 2016.



L Innes
Mayor



A Mayne
Deputy Mayor



Dr C Dale
General Manager



A O'Reilly
Responsible Accounting Officer

Eurobodalla Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
55,040	Rates and annual charges	3a	55,083	52,570
22,750	User charges and fees	3b	29,635	23,528
3,490	Interest and investment revenue	3c	3,194	3,312
1,798	Other revenues	3d	2,395	2,292
16,709	Grants and contributions provided for operating purposes	3e,f	21,201	17,296
7,714	Grants and contributions provided for capital purposes	3e,f	13,742	6,459
107,501	Total income from continuing operations		125,250	105,457
Expenses from continuing operations				
36,005	Employee benefits and on-costs	4a	34,901	32,129
3,937	Borrowing costs	4b	3,326	3,977
22,920	Materials and contracts	4c	25,794	21,026
28,894	Depreciation and amortisation	4d	29,160	29,110
6,530	Other expenses	4e	8,139	8,111
–	Net losses from the disposal of assets	5	445	3,069
98,286	Total expenses from continuing operations		101,765	97,422
9,215	Operating result from continuing operations		23,485	8,035
9,215	Net operating result for the year		23,485	8,035
1,501	Net operating result for the year before grants and contributions provided for capital purposes		9,742	1,576

¹ Original budget as approved by Council – refer Note 16

Eurobodalla Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		23,485	8,035
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(14,238)	70,638
Total items which will not be reclassified subsequently to the operating result		(14,238)	70,638
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(14,238)	70,638
Total comprehensive income for the year		9,247	78,673

Eurobodalla Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,434	4,739
Investments	6b	77,000	79,500
Receivables	7	10,131	8,676
Inventories	8	590	601
Other	8	699	169
Non-current assets classified as 'held for sale'	22	26	457
Total current assets		105,880	94,142
Non-current assets			
Receivables	7	112	110
Infrastructure, property, plant and equipment	9	1,339,249	1,344,870
Total non-current assets		1,339,361	1,344,980
TOTAL ASSETS		1,445,241	1,439,122
LIABILITIES			
Current liabilities			
Payables	10	9,728	9,036
Borrowings	10	9,848	11,314
Provisions	10	9,727	9,516
Total current liabilities		29,303	29,866
Non-current liabilities			
Borrowings	10	42,799	45,325
Provisions	10	2,019	2,058
Total non-current liabilities		44,818	47,383
TOTAL LIABILITIES		74,121	77,249
Net assets		1,371,120	1,361,873
EQUITY			
Retained earnings	20	742,538	719,053
Revaluation reserves	20	628,582	642,820
Council equity interest		1,371,120	1,361,873
Total equity		1,371,120	1,361,873

Eurobodalla Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		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 (as at 1/7/15)		719,053	642,820	1,361,873	–	1,361,873
c. Net operating result for the year		23,485	–	23,485	–	23,485
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(14,238)	(14,238)	–	(14,238)
Other comprehensive income		–	(14,238)	(14,238)	–	(14,238)
Total comprehensive income (c&d)		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		742,538	628,582	1,371,120	–	1,371,120

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		712,949	576,780	1,289,729	–	1,289,729
a. Correction of prior period errors	20 (c)	(277)	(6,252)	(6,529)	–	(6,529)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		712,672	570,528	1,283,200	–	1,283,200
c. Net operating result for the year		8,035	–	8,035	–	8,035
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	70,638	70,638	–	70,638
Other comprehensive income		–	70,638	70,638	–	70,638
Total comprehensive income (c&d)		8,035	70,638	78,673	–	78,673
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		(1,654)	1,654	–	–	–
Equity – balance at end of the reporting period		719,053	642,820	1,361,873	–	1,361,873

Eurobodalla Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
54,073	Rates and annual charges		55,046	52,721
20,940	User charges and fees		30,912	24,374
3,104	Investment and interest revenue received		2,963	3,417
20,186	Grants and contributions		30,192	23,289
–	Bonds, deposits and retention amounts received		74	1,947
1,983	Other		3,403	3,590
Payments:				
(36,085)	Employee benefits and on-costs		(34,723)	(32,290)
(19,401)	Materials and contracts		(28,385)	(22,993)
(4,103)	Borrowing costs		(2,962)	(3,695)
–	Bonds, deposits and retention amounts refunded		–	(1,968)
(7,267)	Other		(9,262)	(8,453)
33,430	Net cash provided (or used in) operating activities	11b	47,257	39,939
Cash flows from investing activities				
Receipts:				
2,543	Sale of investment securities		46,019	–
502	Sale of infrastructure, property, plant and equipment		1,185	1,216
20	Deferred debtors receipts		192	110
Payments:				
–	Purchase of investment securities		(41,174)	(10,500)
(35,165)	Purchase of infrastructure, property, plant and equipment		(36,305)	(24,782)
–	Deferred debtors and advances made		(249)	(143)
(32,100)	Net cash provided (or used in) investing activities		(30,332)	(34,099)
Cash flows from financing activities				
Receipts:				
14,153	Proceeds from borrowings and advances		7,083	5,739
Payments:				
(10,900)	Repayment of borrowings and advances		(11,313)	(13,191)
3,253	Net cash flow provided (used in) financing activities		(4,230)	(7,452)
4,583	Net increase/(decrease) in cash and cash equivalents		12,695	(1,612)
17,359	Plus: cash and cash equivalents – beginning of year	11a	4,739	6,351
21,942	Cash and cash equivalents – end of the year	11a	17,434	4,739
Additional Information:				
	plus: Investments on hand – end of year	6b	77,000	79,500
	Total cash, cash equivalents and investments		94,434	84,239

Please refer to Note 11 for additional cash flow information

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair value.

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

(vi) Changes in accounting policies

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

Eurobodalla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements.

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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 are set out below:

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

Significant judgements in applying Council's accounting policies include the 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 it, and specific criteria have been met for each of the Council's activities (as described below).

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets/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.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it.

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

Developer contributions may only be expended for the purposes for which the contributions were

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

required but the Council may apply contributions according to the priorities established in work schedules.

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

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

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

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*
- *Water Supply Fund*
- *Sewerage Fund*
- *Domestic & Non-Domestic Waste Funds*
- *Environment Fund*
- *Broulee Tennis Courts Committee*
- *Malua Bay Community Centre & Tennis Courts Committee*
- *Moruya Racecourse Committee*
- *Moruya Showground Committee*
- *Tuross Progress Hall 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* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

Operating Leases

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

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

These investments are generally quoted in an active market. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 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.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

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

(g) Fair value estimation – 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 balance sheet date.

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

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

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

(h) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(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.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures** (per external and internal valuations)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (internal valuation)
- **Other open space/recreational assets**
(internal valuation)
- **Other infrastructure** (internal valuation as required)
- **Other assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

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

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

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

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

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

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the minimums listed below, or reach an agglomeration of similar/related assets valued at or above \$50,000.

Land	
- Council land	100% capitalised
- Open space	100% capitalised
- Land under roads (purchases after 30/6/08)	100% capitalised

Plant and equipment

Office furniture	> \$5,000
Office equipment	> \$5,000
Other plant and equipment	> \$5,000

Buildings and land improvements

Park furniture and equipment	> \$5,000
Building	
- Construction/extensions	> \$5,000
- Renovations	> \$5,000
Other structures	> \$5,000

Water and sewer assets

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

Stormwater assets

Drains and culverts	> \$5,000
Other	> \$5,000

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Transport assets

Road construction and reconstruction	> \$5,000
Reseal/re-sheet and major repairs	> \$5,000
Bridge construction and reconstruction	> \$5,000

Other infrastructure assets

Swimming pools	> \$5,000
Other open space/recreational assets	> \$5,000
Other infrastructure	> \$5,000

Depreciation

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

Land is not depreciated.

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

Plant 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.	20 to 25 years

Buildings

- Buildings	15 to 60 years
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Water and sewer assets

- Dams and reservoirs	25 to 100 years
- Bores	30 years
- Reticulation pipes	45 to 100 years
- Pumps and telemetry	7 to 25 years

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
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- Sealed roads: base and sub base	40 to 75 years
- Sealed roads: substructure	180 years
- Unsealed roads	10 to 15 years
- Bridge: concrete	100 years
- Bridge: timber	30 to 100 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	15 to 100 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

Disposal and derecognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

Council accounts for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Investment properties comprise land and/or buildings that are principally held for long-term rental

yields, capital gains or both, that is not occupied by Council. They are recognised at fair value.

Council does not currently hold any properties classified as investment properties.

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

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

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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less

costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

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

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

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

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

(t) Payables

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

(x) Employee benefits

(i) Short-term obligations

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

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

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

All other short-term employee benefit obligations are presented as payables.

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The schemes most recent full actuarial review was performed by Mr Richard Boyfield (FIIA) on 24/02/16 and covers the period ended 30/06/15.

The position is monitored annually and the actuary has estimated that as at 30 June 2016 a prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. These additional contributions are estimated to remain in place until 30 June 2020.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme for the year ending 30 June 2016 was \$879,052. The expected contributions to the fund by Council for the next annual reporting period are \$721,783.

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

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

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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.

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Unless otherwise specified the Office of Local Government has determined that new standards and

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

interpretations are not to be adopted early by councils. Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as

to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	7	29	29	1,065	1,038	1,560	(1,058)	(1,009)	(1,531)	–	–	90	42
Administration	666	983	980	1,369	(927)	(549)	(703)	1,910	1,529	107	88	128,363	115,461
Public order and safety	750	1,166	1,089	2,716	2,820	2,859	(1,966)	(1,654)	(1,770)	594	376	9,123	9,176
Health	141	153	139	467	445	401	(326)	(292)	(262)	–	–	4	5
Environment	12,094	16,401	11,942	13,286	13,453	11,918	(1,192)	2,948	24	3,364	1,022	82,691	83,248
Community services and education	6,053	7,155	6,080	7,435	8,004	6,734	(1,382)	(849)	(654)	5,591	4,819	294	353
Housing and community amenities	1,317	1,418	1,356	6,589	6,260	5,794	(5,272)	(4,842)	(4,438)	222	300	7,488	10,426
Water supplies	17,183	18,729	17,470	15,384	15,271	15,616	1,799	3,458	1,854	210	250	286,987	287,061
Sewerage services	21,771	23,813	19,280	17,875	17,168	17,075	3,896	6,645	2,205	2,113	299	248,504	241,612
Recreation and culture	1,740	1,916	2,405	9,541	10,022	9,816	(7,801)	(8,106)	(7,411)	328	672	152,022	170,001
Mining, manufacturing and construction	692	786	659	871	645	783	(179)	141	(124)	–	–	93	85
Transport and communication	8,507	15,688	8,713	15,174	22,615	18,935	(6,667)	(6,927)	(10,222)	5,235	1,851	466,103	457,158
Economic affairs	4,723	5,356	5,007	6,254	6,446	6,616	(1,531)	(1,090)	(1,609)	–	9	63,477	64,489
Total functions and activities	75,644	93,593	75,149	98,026	103,260	97,558	(22,382)	(9,667)	(22,409)	17,764	9,686	1,445,239	1,439,117
General purpose income ¹	31,857	31,657	30,305	260	(1,495)	(136)	31,597	33,152	30,441	6,979	7,055	–	–
Operating result from continuing operations	107,501	125,250	105,454	98,286	101,765	97,422	9,215	23,485	8,032	24,743	16,741	1,445,239	1,439,117

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 2016

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

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

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

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, urban regional, includes 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 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		19,472	18,185
Farmland		383	362
Business		3,818	3,564
Total ordinary rates		23,673	22,111
Special rates			
Environmental		889	863
Total special rates		889	863
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		5,045	4,864
Stormwater management services		449	446
Water supply services		6,047	5,862
Sewerage services		17,774	17,251
Waste management services (non-domestic)		1,206	1,173
Total annual charges		30,521	29,596
TOTAL RATES AND ANNUAL CHARGES		55,083	52,570

Council has used 2014 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 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		9,977	9,346
Sewerage services		633	591
Liquid trade waste		112	99
Total user charges		10,722	10,036
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Onsite sewerage management		190	180
Planning and building regulation		791	650
Private works – section 67		272	380
Registration fees		32	9
Section 149 certificates (EPA Act)		828	717
Section 603 certificates		142	121
Sewer connection		44	29
Water connection		191	158
Total fees and charges – statutory/regulatory		2,490	2,244
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Admission and service fees		61	29
Aerodrome		242	197
Caravan park / camping		3,556	3,245
Carparking fees		115	116
Cemeteries		189	170
Community service programs		1,515	1,211
Landfill		3,429	2,536
Lease rentals		1,803	1,562
Leaseback fees – Council vehicles		282	248
RMS (formerly RTA) charges (state roads not controlled by Council)		5,038	1,738
Other		193	196
Total fees and charges – other		16,423	11,248
TOTAL USER CHARGES AND FEES		29,635	23,528

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		201	223
– Interest earned on investments (interest and coupon payment income)		2,993	3,089
TOTAL INTEREST AND INVESTMENT REVENUE		3,194	3,312
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		161	174
General Council cash and investments		1,979	2,160
Restricted investments/funds – external:			
Development contributions			
– Section 94		74	78
– Section 64		88	69
Water fund operations		398	434
Sewerage fund operations		494	397
Total interest and investment revenue recognised		3,194	3,312
(d) Other revenues			
Rental income – other council properties		400	398
Fines		249	388
Legal fees recovery – rates and charges (extra charges)		413	318
Commissions and agency fees		169	165
Insurance claim recoveries		28	18
Recycling income (non-domestic)		470	414
Sales – general		368	378
WHS incentive		98	113
Remediation remeasurement		150	36
Other		50	64
TOTAL OTHER REVENUE		2,395	2,292

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,945	5,003	–	–
Financial assistance – local roads component	1,546	1,572	–	–
Pensioners' rates subsidies – general component	488	482	–	–
Total general purpose	6,979	7,057	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	202	201	–	–
– Sewerage	190	189	–	–
– Domestic waste management	146	148	–	–
– Other	20	21	–	–
Water supplies	–	–	600	–
Sewerage services	–	–	1,331	159
Boatramps and wharfs	9	20	458	6
Bushfire and emergency services	648	566	–	(138)
Community care	5,589	4,816	–	–
Cycleways	–	–	–	229
Economic development	–	9	–	–
Environmental protection	2,976	958	214	–
Flood restoration	–	4	–	–
Heritage and cultural	52	55	70	269
Library	–	42	–	–
Library – special projects	–	–	55	–
LIRS subsidy	107	88	–	–
Parks and reserves	6	281	–	15
Recreation and culture	–	–	60	47
Street lighting	95	93	–	–
Transport (bus transport)	–	–	–	241
Transport (roads to recovery)	2,087	967	–	–
Transport (other roads and bridges funding)	–	–	2,668	353
Regional Waterways	30	–	–	–
Waste Services	94	–	–	–
Other	59	45	–	–
Total specific purpose	12,311	8,503	5,456	1,181
Total grants	19,290	15,560	5,456	1,181
Grant revenue is attributable to:				
– Commonwealth funding	9,602	9,359	75	159
– State funding	9,407	6,119	5,381	931
– Other funding	281	82	–	91
	19,290	15,560	5,456	1,181

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	15	12	572	568
S 94A – fixed development consent levies	–	–	319	373
S 64 – water supply contributions	–	–	1,330	1,148
S 64 – sewerage service contributions	–	–	1,088	910
Subdivider dedications	–	–	4,667	1,416
Total developer contributions	15	12	7,976	4,415
	17			
Other contributions:				
Arts and culture	15	10	–	–
Business development	40	–	–	–
Community services	14	9	–	–
Cycleways	–	–	–	35
Emergency services	–	–	–	15
Employment and training program	49	46	–	–
Kerb and gutter	125	28	–	–
Libraries	81	81	–	–
Paving	3	8	–	36
Recreation and culture	–	72	–	–
Roads and bridges	–	2	10	–
Roadworks	–	15	55	–
RMS contributions (regional roads, block grant)	1,076	1,078	39	406
Sewerage (excl. section 64 contributions)	320	41	100	80
Solar rebate – STC's	–	–	55	84
Sports grounds, parks and recreation	125	241	46	37
Tourism	4	–	–	–
Waste management	35	47	–	–
Water supplies (excl. section 64 contributions)	–	–	4	169
Other	9	46	1	1
Total other contributions	1,896	1,724	310	863
Total contributions	1,911	1,736	8,286	5,278
TOTAL GRANTS AND CONTRIBUTIONS	21,201	17,296	13,742	6,459

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to 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	9,033	7,400
Add: grants and contributions recognised in the current period but not yet spent:	5,958	4,736
Less: grants and contributions recognised in a previous reporting period now spent:	(3,876)	(3,103)
Net increase (decrease) in restricted assets during the period	2,082	1,633
Unexpended and held as restricted assets	11,115	9,033
Comprising:		
– Specific purpose unexpended grants	6,669	4,217
– Developer contributions	4,090	4,716
– Other contributions	356	100
	11,115	9,033

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		26,319	24,440
Travel expenses		1,390	1,324
Employee leave entitlements (ELE)		5,890	4,889
Superannuation		3,431	3,283
Workers' compensation insurance		885	800
Fringe benefit tax (FBT)		249	240
Payroll tax		367	343
Training costs (other than salaries and wages)		475	479
Other		270	342
Total employee costs		39,276	36,140
Less: capitalised costs		(4,375)	(4,011)
TOTAL EMPLOYEE COSTS EXPENSED		34,901	32,129
Number of 'full-time equivalent' employees (FTE) at year end		457	447
(Note that the FTE figure in the 2014-15 statements was 461. This included 14 casuals. The current reporting requirements exclude casuals).			
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,025	3,559
Total interest bearing liability costs expensed		3,025	3,559
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	63	136
Interest applicable on interest free (and favourable) loans to Council		238	282
Total other borrowing costs		301	418
TOTAL BORROWING COSTS EXPENSED		3,326	3,977
(c) Materials and contracts			
Raw materials and consumables		21,004	15,964
Contractor and consultancy costs		4,184	4,357
Auditors remuneration ⁽¹⁾		117	162
Legal expenses:			
– Legal expenses: planning and development		30	91
– Legal expenses: debt recovery		299	302
– Legal expenses: other		160	150
TOTAL MATERIALS AND CONTRACTS		25,794	21,026

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		47	40
– Other audit and assurance services (asbestos compliance)		–	59
– Other services: Council's auditor (sewer and water best practice)		6	7
– Other audit and assurance services		64	56
Remuneration for audit and other assurance services		117	162
Total Auditor remuneration		117	162

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	2,335	2,090
Office equipment		–	–	576	489
Furniture and fittings		–	–	86	114
Land improvements (depreciable)		–	–	47	48
Infrastructure:					
– Buildings – non-specialised		–	–	1,321	1,258
– Buildings – specialised		–	–	1,061	994
– Other structures		–	–	560	548
– Roads		–	–	6,801	6,952
– Bridges		–	–	565	703
– Footpaths		–	–	534	458
– Stormwater drainage		–	–	1,057	1,427
– Water supply network		–	–	5,824	5,778
– Sewerage network		–	–	6,316	6,199
– Swimming pools		–	–	69	56
– Other open space/recreational assets		–	–	1,829	1,820
Other assets					
– Library books		–	–	168	176
– Other		–	–	11	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	29,160	29,110

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		363	329
Bad and doubtful debts		(178)	91
Bank charges / cash collection expenses		264	261
Commissions		326	315
Community care outsourced		953	669
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		64	55
– NSW Fire Brigade levy		144	139
– NSW Rural Fire service levy		574	517
– Other contributions/levies		232	223
Councillor expenses – mayoral fee		40	38
Councillor expenses – councillors' fees		149	157
Councillors' expenses (incl. mayor) – other (excluding fees above)		94	123
Donations, contributions and assistance to other organisations (Section 356)		202	208
Electricity and heating		1,830	2,110
Insurance		1,116	1,067
Street lighting		292	463
Subscriptions and publications		289	268
Telephone and communications		664	576
Valuation fees		155	159
Venue / facility hire		28	17
Other		538	326
<u>TOTAL OTHER EXPENSES</u>		<u>8,139</u>	<u>8,111</u>

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		408	656
Less: carrying amount of property assets sold/written off		(507)	(499)
Net gain/(loss) on disposal		(99)	157
Plant and equipment			
Proceeds from disposal – plant and equipment		777	560
Less: carrying amount of plant and equipment assets sold/written off		(626)	(594)
Net gain/(loss) on disposal		151	(34)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(2,842)	(3,184)
Net gain/(loss) on disposal		(2,842)	(3,184)
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		43,519	–
Less: carrying amount of financial assets sold/redeemed/matured		(41,174)	(8)
Net gain/(loss) on disposal		2,345	(8)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(445)	(3,069)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	–
– Net gain/(loss) from financial instruments designated 'held for trading'		2,345	(8)
Net gain/(loss) on disposal of financial instruments		2,345	(8)

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		9,606	–	493	–
Cash-equivalent assets ¹					
– Deposits at call		4,828	–	1,246	–
– Short-term deposits		3,000	–	3,000	–
Total cash and cash equivalents		17,434	–	4,739	–
Investments (Note 6b)					
– Long term deposits		77,000	–	79,500	–
Total investments		77,000	–	79,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		94,434	–	84,239	–

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

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'		17,434	–	4,739	–
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Investments

a. 'Held to maturity'	6(b-i)	77,000	–	79,500	–
Investments		77,000	–	79,500	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		79,500	–	69,000	–
Additions		39,674	–	44,074	–
Disposals (sales and redemptions)		(41,174)	(1,000)	(33,574)	–
Transfers between current/non-current		(1,000)	1,000	–	–
Balance at end of year		77,000	–	79,500	–

Comprising:

– Long term deposits		77,000	–	79,500	–
Total		77,000	–	79,500	–

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 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	94,434	–	84,239	–
attributable to:				
External restrictions (refer below)	48,772	–	41,141	–
Internal restrictions (refer below)	19,927	–	13,872	–
Unrestricted	25,736	–	29,226	–
	94,434	–	84,239	–

2016	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	–	96	–	96
Specific purpose unexpended loans – sewer (A)	212	–	(255)	(43)
Special Rates Variation (G)	–	943	(943)	–
External restrictions – included in liabilities	212	1,039	(1,198)	53

External restrictions – other

Developer contributions – general (B)	2,467	2,795	(2,530)	2,732
Developer contributions – water fund (B)	795	838	–	1,633
Developer contributions – sewer fund (B)	1,554	–	(1,473)	81
Specific purpose unexpended grants (C)	3,235	2,452	–	5,687
Specific purpose unexpended grants-sewer fund (C)	983	–	–	983
Water supplies (D)	9,881	5,230	–	15,111
Sewerage services (D)	12,793	236	–	13,029
Domestic waste management (D)	3,267	–	–	3,267
Stormwater management (D)	48	449	(446)	–
Other waste management	5,279	–	–	5,279
Crown reserves	288	3,719	(3,417)	591
Tree fund	44	1	(14)	31
Community services asset replacement	27	–	–	27
Other	268	–	–	268
External restrictions – other	40,929	15,721	(7,880)	48,718
Total external restrictions	41,141	16,760	(9,078)	48,772

- 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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Infrastructure replacement	523	3,773	(3,530)	766
Employees leave entitlement	1,605	75	–	1,680
Community development infrastructure fund	348	–	(10)	338
Council election fund	138	68	(8)	198
Council recreational loan pool	105	(9)	31	127
Energy and efficiency fund	1,300	64	(121)	1,244
Gravel pits	229	168	–	397
Interest equalisation fund	1,152	(1,152)	–	0
IT investment fund	2,799	–	(104)	2,695
Management committees	265	9	(140)	134
Sports liason committee	(41)	157	54	170
Unexpended general loan fund	248	3,353	(1,763)	1,838
Works income equalisation fund	809	13	(28)	793
Real estate disposal fund	2,080	121	(318)	1,884
Carbon tax fund	125	(125)	–	0
Special Rates Variation	–	3,293	(1,682)	1,612
Infrastructure Renewals (FFTF)	–	2,477	–	2,477
Recreation Strategy	–	271	–	271
Other	2,187	1,208	(93)	3,302
Total internal restrictions	13,872	13,766	(7,711)	19,927
TOTAL RESTRICTIONS	55,013	30,525	(16,789)	68,698

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,406	–	1,369	–
Interest and extra charges		362	–	346	–
User charges and fees		5,109	–	5,004	–
Accrued revenues					
– Interest on investments		624	–	409	–
– Other income accruals		204	–	434	–
Deferred debtors		80	112	25	110
Government grants and subsidies		1,857	–	966	–
Net GST receivable		695	–	554	–
Other debtors		142	–	111	–
Total		10,479	112	9,218	110
Less: provision for impairment					
Rates and annual charges		(25)	–	(25)	–
User charges and fees		(323)	–	(517)	–
Total provision for impairment – receivables		(348)	–	(542)	–
<u>TOTAL NET RECEIVABLES</u>		<u>10,131</u>	<u>112</u>	<u>8,676</u>	<u>110</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		3,374	–	3,301	–
Sewerage services					
– Rates and availability charges		175	–	176	–
– Other		–	–	176	–
Total external restrictions		3,549	–	3,653	–
Internally restricted receivables					
Nil					
Unrestricted receivables		6,582	112	5,023	110
TOTAL NET RECEIVABLES		10,131	112	8,676	110

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 8.50% (2015 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 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		590	–	601	–
Total inventories at cost		590	–	601	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		590	–	601	–
(b) Other assets					
Prepayments		686	–	159	–
Work in progress		13	–	10	–
TOTAL OTHER ASSETS		699	–	169	–
Externally restricted assets					
Water					
Stores and materials		60	–	59	–
Prepayments		–	–	122	–
Total water		60	–	181	–
Sewerage					
Nil					
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		60	–	181	–
Total unrestricted assets		1,229	–	589	–
TOTAL INVENTORIES AND OTHER ASSETS		1,289	–	770	–

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	13,599	–	–	–	13,599	4,518	–	–	–	–	–	–	18,117	–	–	–	18,117
Plant and equipment	–	34,707	18,983	–	15,724	3,173	602	(626)	(2,335)	(49)	–	–	–	36,193	19,704	–	16,489
Office equipment	–	5,173	3,334	–	1,839	373	–	(0)	(576)	–	–	–	–	5,440	3,804	–	1,636
Furniture and fittings	–	1,208	921	–	287	42	19	(0)	(86)	–	–	–	–	801	541	–	260
Land:																	
– Operational land	–	65,206	–	–	65,206	–	11	–	–	(989)	–	–	–	64,228	–	–	64,228
– Community land	–	127,735	–	–	127,735	–	77	–	–	989	(22,895)	33	–	105,940	–	–	105,940
– Land under roads (post 30/6/08)	–	19,296	–	–	19,296	–	97	–	–	–	–	–	–	19,393	–	–	19,393
Land improvements – non-depreciable	–	220	–	–	220	–	–	–	–	(188)	–	–	–	32	–	–	32
Land improvements – depreciable	–	3,083	405	–	2,678	3	9	–	(47)	(2,063)	–	–	–	688	106	–	582
Infrastructure:																	
– Buildings – non-specialised	–	57,080	23,854	–	33,226	1,965	–	(63)	(1,321)	(46)	–	–	–	58,714	24,952	–	33,762
– Buildings – specialised	–	47,062	19,496	–	27,566	518	612	(2)	(1,061)	(332)	–	–	–	47,570	20,270	–	27,300
– Other structures	–	13,585	6,298	–	7,287	1,942	262	(163)	(560)	(3,603)	–	4,151	–	12,783	3,468	–	9,315
– Roads	–	507,899	141,395	–	366,504	6,749	2,539	(1,011)	(6,801)	–	–	–	–	513,172	145,194	–	367,978
– Bridges	–	42,697	19,605	–	23,092	2,614	134	(303)	(565)	70	–	–	–	43,536	18,493	–	25,043
– Footpaths	–	30,262	7,767	–	22,495	347	1,320	(26)	(534)	–	–	–	–	31,890	8,288	–	23,602
– Stormwater drainage	–	109,978	27,514	–	82,464	995	1,666	(145)	(1,057)	(69)	–	–	–	112,255	28,400	–	83,855
– Water supply network	–	414,457	138,742	–	275,715	1,685	1,329	(949)	(5,824)	(9)	–	4,046	–	421,769	145,776	–	275,993
– Sewerage network	–	394,755	165,725	–	229,030	1,571	3,419	(207)	(6,316)	76	–	3,351	–	405,200	174,276	–	230,924
– Swimming pools	–	3,195	2,097	–	1,098	149	–	(1)	(69)	32	–	24	–	8,008	6,774	–	1,234
– Other open space/recreational assets	–	52,446	23,274	–	29,172	1,233	1,095	(36)	(1,829)	6,275	(2,944)	–	–	52,286	19,321	–	32,965
Other assets:																	
– Library books	–	867	341	–	526	26	212	–	(168)	–	–	–	–	942	346	–	596
– Other	–	113	2	–	111	–	–	–	(11)	(95)	–	(4)	–	7	2	–	5
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	214	214	–	–	–	–	–	–	–	–	–	–	214	214	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	13,599	1,931,238	599,967	–	1,344,870	27,904	13,403	(3,533)	(29,160)	–	(25,839)	11,601	18,117	1,941,061	619,929	–	1,339,249

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 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	1,218	–	–	1,218	1,735	–	–	1,735
Plant and equipment	–	3,466	1,657	1,809	–	3,221	1,537	1,684
Office equipment	–	180	114	66	–	180	88	92
Land								
– Operational land	–	1,856	–	1,856	–	1,856	–	1,856
– Community land	–	559	–	559	–	488	–	488
Buildings	–	2,762	709	2,053	–	2,771	657	2,114
Other structures	–	–	–	–	–	37	19	18
Infrastructure	–	421,767	145,776	275,991	–	414,456	138,742	275,714
Total water supply	1,218	430,590	148,256	283,552	1,735	423,009	141,043	283,701
Sewerage services								
WIP	11,327	–	–	11,327	6,212	–	–	6,212
Plant and equipment	–	1,547	1,271	276	–	1,547	1,218	329
Office equipment	–	220	162	58	–	220	140	80
Furniture and fittings	–	4	4	–	–	4	3	1
Land								
– Operational land	–	3,143	–	3,143	–	3,138	–	3,138
– Community land	–	15	–	15	–	15	–	15
Buildings	–	4,082	1,539	2,543	–	3,970	1,457	2,513
Other structures	–	–	–	–	–	45	16	29
Infrastructure	–	405,200	174,276	230,924	–	394,755	165,725	229,030
Other assets	–	43	–	43	–	93	3	90
Total sewerage services	11,327	414,254	177,252	248,329	6,212	403,787	168,562	241,437
Domestic waste management								
WIP	116	–	–	116	406	–	–	406
Plant and equipment	–	2,775	1,326	1,449	–	2,482	1,189	1,293
Office equipment	–	127	63	64	–	127	42	85
Furniture and fittings	–	–	–	–	–	2	2	–
Land								
– Operational land	–	4,263	–	4,263	–	4,252	–	4,252
Buildings	–	773	300	473	–	757	283	474
Other structures	–	6,524	1,003	5,521	–	2,977	1,662	1,315
Infrastructure	–	–	–	–	–	106	–	106
Total DWM	116	14,462	2,692	11,886	406	10,703	3,178	7,931
TOTAL RESTRICTED I,PP&E	12,661	859,306	328,200	543,767	8,353	837,499	312,783	533,069

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 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,691	–	4,856	–
Goods and services – capital expenditure		2,975	–	2,626	–
Payments received in advance		377	–	315	–
Accrued expenses:					
– Other expenditure accruals		1,219	–	846	–
Security bonds, deposits and retentions		352	–	278	–
Other		114	–	115	–
Total payables		9,728	–	9,036	–
Borrowings					
Loans – secured ¹		9,848	42,799	11,314	45,325
Total borrowings		9,848	42,799	11,314	45,325
Provisions					
Employee benefits:					
Annual leave		3,237	–	3,255	–
Long service leave		6,199	360	5,970	311
Sub-total – aggregate employee benefits		9,436	360	9,225	311
Asset remediation/restoration (future works)	26	291	1,659	291	1,747
Total provisions		9,727	2,019	9,516	2,058
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		29,303	44,818	29,866	47,383
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		73	1,069	1,512	1,139
Sewer		3,231	12,073	6,901	12,112
Domestic waste management		703	3,507	366	3,458
Liabilities relating to externally restricted assets		4,007	16,649	8,779	16,709
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		4,007	16,649	8,779	16,709
Total liabilities relating to unrestricted assets		25,296	28,169	21,087	30,674
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		29,303	44,818	29,866	47,383

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 2016

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

\$ '000	Actual 2016	Actual 2015
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(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	5,369	5,172
	<u>5,369</u>	<u>5,172</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	3,255	(18)	–	–	–	3,237
Long service leave	6,281	278	–	–	–	6,559
Asset remediation	2,038	(238)	–	150	–	1,950
TOTAL	11,574	22	–	150	–	11,746

- a. 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.
- b. 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,434	4,739
Balance as per the Statement of Cash Flows		17,434	4,739
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		23,485	8,035
Adjust for non-cash items:			
Depreciation and amortisation		29,160	29,110
Net losses/(gains) on disposal of assets		445	3,069
Non-cash capital grants and contributions		(4,667)	(1,416)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		238	282
Unwinding of discount rates on reinstatement provisions		63	136
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,206)	343
Increase/(decrease) in provision for doubtful debts		(194)	55
Decrease/(increase) in inventories		11	29
Decrease/(increase) in other assets		(530)	43
Increase/(decrease) in payables		(165)	279
Increase/(decrease) in other accrued expenses payable		373	343
Increase/(decrease) in other liabilities		135	(180)
Increase/(decrease) in employee leave entitlements		260	(74)
Increase/(decrease) in other provisions		(151)	(115)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		47,257	39,939

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Private subdivisions		4,667	1,416
Total non-cash investing and financing activities		4,667	1,416
(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		265	500
Total financing arrangements		2,265	2,500

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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		325	–
Plant and equipment		377	1,100
Water supply		38	6
Sewer		4,671	601
Other structures		208	7
Bridges		431	–
Total commitments		6,050	1,713
These expenditures are payable as follows:			
Within the next year		6,050	1,713
Total payable		6,050	1,713
Sources for funding of capital commitments:			
Unrestricted general funds		639	0
Future grants and contributions		–	1,390
Unexpended grants		206	–
Externally restricted reserves		4,985	–
Internally restricted reserves		31	187
Unexpended loans		–	136
New loans (to be raised)		189	–
Total sources of funding		6,050	1,713
Details of capital commitments			
Current capital commitments include plant and machinery (mainly heavy vehicles) required for general operations, Water and Sewer asset upgrades and refurbishment, major construction projects (including project management), bridge renewal and upgrade and expansion of community facilities.			

(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	76	26
Later than one year and not later than 5 years	193	269
Total non-cancellable operating lease commitments	269	295

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

Photocopiers

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

Conditions relating to operating leases:

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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>10,187</u>	9.14%	4.69%	-0.25%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>111,508</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>90,307</u>	72.10%	77.47%	78.93%
Total continuing operating revenue ⁽¹⁾	<u>125,250</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>53,499</u>	2.68x	3.09x	2.85x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>19,927</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>42,674</u>	2.92x	2.55x	3.50x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>14,639</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,743</u>	3.04%	3.07%	3.56%
Rates, annual and extra charges collectible	<u>57,387</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>94,434</u>	13.08 mths	12.2 mths	10.6 mths
Payments from cash flow of operating and financing activities	<u>7,220</u>			

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.

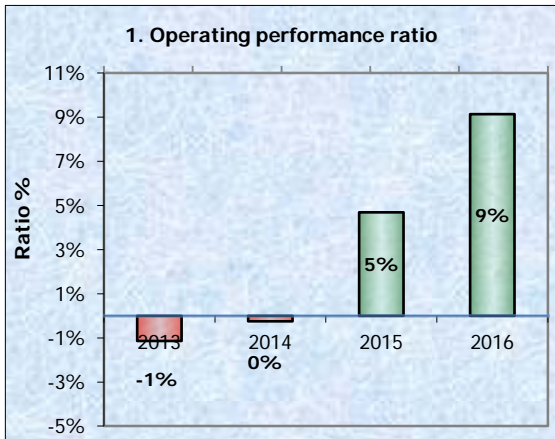
⁽³⁾ Refer to Note 10(a).

⁽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 2016

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



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.



Commentary on 2015/16 result

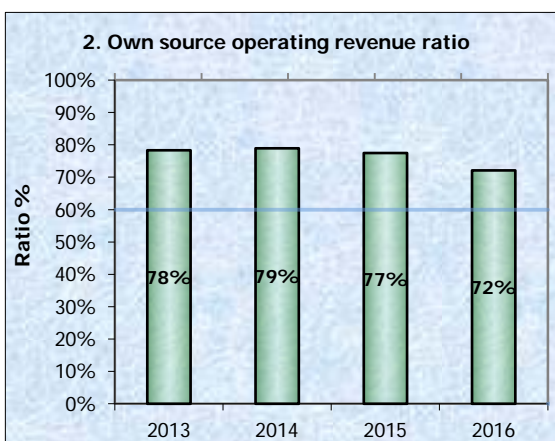
2015/16 ratio 9.14%

The favourable operating surplus this year is largely due to the receipt of significant upfront large grants and contributions, commercial revenues and investment recoveries. This meets Council's Fit for the Future requirement.

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.



Commentary on 2015/16 result

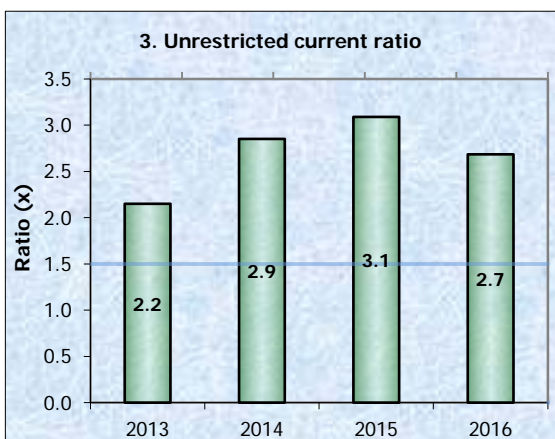
2015/16 ratio 72.10%

Consistent with prior years, Council has performed above benchmark, which meets Council's Fit for the Future requirements and indicates that Council is not overly reliant on external funding sources.

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.



Commentary on 2015/16 result

2015/16 ratio 2.68x

This result indicates that Council has sufficient ability to satisfy its short term, unrestricted financial obligations. Whilst slightly lower than last year it still meets benchmark requirements.

Benchmark: — Minimum ≥ 1.50

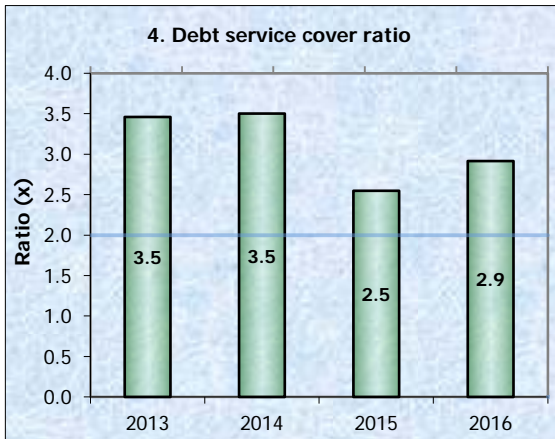
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

Eurobodalla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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



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 2015/16 result

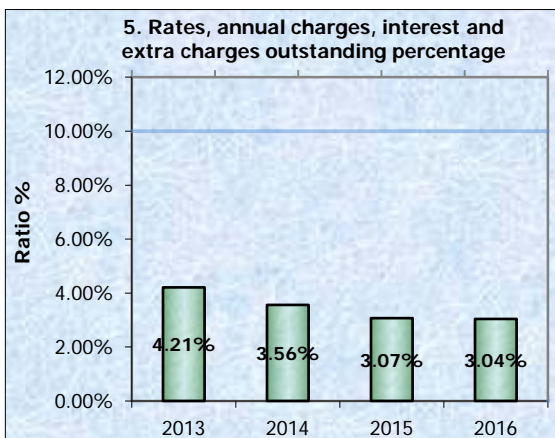
2015/16 ratio 2.92x

Council's borrowing costs are slightly lower than last year, and with the current favourable operating result indicates that Council has a slightly increased availability of cash and is in a sound position to service debt.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



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 2015/16 result

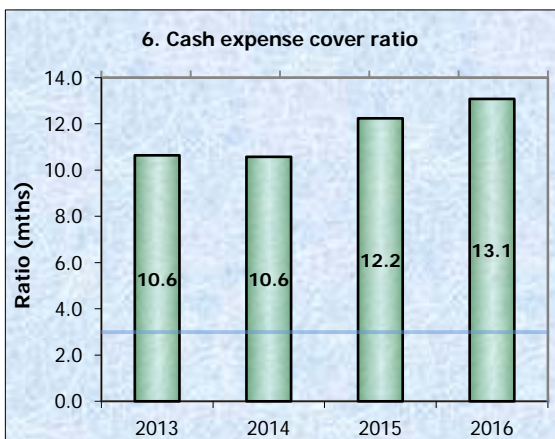
2015/16 ratio 3.04%

This ratio has once again continued to improve on previous year's results. With a benchmark of 10%, a 3% charges outstanding percentage reflects favourably on Council's exceptionally thorough and well managed debt collection process.

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2015/16 result

2015/16 ratio 13.08 mths

The favourable operating result this year increases Council's ability to continue paying for immediate expenses and meet its short term debt obligations.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	10.17%	12.23%	8.07%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 3.86%	8.78%	3.70%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	89.16%	78.69%	66.20%
Total continuing operating revenue ⁽¹⁾	prior period: 90.90%	92.97%	69.50%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	255.71x	4.99x	2.68x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 8.84x	2.17x	3.09x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	4.82x	1.26x	4.91x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.05x	2.70x	4.79x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	0.00%	0.00%	5.19%
Rates, annual and extra charges collectible	prior period: 0.00%	0.00%	5.30%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	1.12 mths	0.62 mths	19.09 mths
Payments from cash flow of operating and financing activities	prior period: 7.95 mths	11.26 mths	13.67 mths

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 2016

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.

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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	17,434	4,739	7,828	4,739
Investments				
– 'Held to maturity'	77,000	79,500	77,000	79,500
Receivables	10,243	8,786	10,243	8,464
Total financial assets	104,677	93,025	95,071	92,703
Financial liabilities				
Payables	9,351	8,721	–	–
Loans/advances	52,647	56,639	–	–
Total financial liabilities	61,998	65,360	–	–

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 2016

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 its staff and an investment report is 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
2016				
Possible impact of a 1% movement in interest rates	848	848	(848)	(848)
2015				
Possible impact of a 1% movement in interest rates	837	837	(837)	(837)

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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.

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	94%	0%	90%
Overdue	100%	6%	100%	10%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Other receivables		Rates and annual charges	Other receivables
Current	Current	–	–	7,141
< 1 year overdue	0 – 30 days overdue	1,406	1,369	208
1 – 2 years overdue	30 – 60 days overdue	–	–	42
2 – 5 years overdue	60 – 90 days overdue	–	–	20
> 5 years overdue	> 90 days overdue	–	–	548
		1,406	1,369	7,959
(iii) Movement in provision for impairment of receivables			2016	2015
Balance at the beginning of the year			542	487
+ new provisions recognised during the year			(194)	55
Balance at the end of the year			348	542

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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		
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
2015									
Trade/other payables	278	8,757	–	–	–	–	–	9,035	8,721
Loans and advances	–	7,588	8,541	3,981	3,619	6,762	26,828	57,319	56,639
Total financial liabilities	278	16,345	8,541	3,981	3,619	6,762	26,828	66,354	65,360

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	9,351	0.00%	8,721	0.00%
Loans and advances – fixed interest rate	52,647	5.50%	50,319	5.90%
Loans and advances – variable interest rate	–	0.00%	2,664	6.40%
Loans and advances – interest free	–	0.00%	3,656	0.00%
	<u>61,998</u>		<u>65,360</u>	

Loan agreement breaches

Nil

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 23 June 2015.

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
REVENUES					
Rates and annual charges	55,040	55,083	43	0%	F
User charges and fees	22,750	29,635	6,885	30%	F
The additional user charges and fees result largely from revenues received from the Roads and Maritime Services (RMS) for work undertaken by Council on the King's Highway. There was once again increased patronage at Council's campgrounds and revised caravan park lease agreements. Increased commercial waste has been received and favourable water revenues recognised.					
Interest and investment revenue	3,490	3,194	(296)	(8%)	U
Other revenues	1,798	2,395	597	33%	F
Substantial green waste recoveries, recycling revenues, legal fees recoveries and utilisation of Council's various sporting facilities account for much of the additional revenue recognised.					
Operating grants and contributions	16,709	21,201	4,492	27%	F
In addition to various minor grants and contributions, Council received significant large environmental, community, recreation, transport, bushfire and emergency services grants and contributions throughout the year. Receipt of these funds has a significant impact on expenditure.					
Capital grants and contributions	7,714	13,742	6,028	78%	F
The variation from the original budget result largely from the receipt, and recognition in Council's books, of significant assets dedicated to Council from subdividers (\$4.6M). Council also received additional developer contributions and grants for/contributions towards various roads, libraries, playground, water and sewer projects.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
EXPENSES					
Employee benefits and on-costs	36,005	34,901	1,104	3%	F
Borrowing costs	3,937	3,326	611	16%	F
The lower borrowing costs result from a decrease in borrowing interest rates, as well as the recognition of offsetting interfund revenues relating to the opportunity cost of capital associated with Council's fleet.					
Materials and contracts	22,920	25,794	(2,874)	(13%)	U
As in previous years, a substantial portion of the increase in expenditure in this area is directly resultant from the carry forward of expenditure relating to grants or contributions received and recognised in 2014-15 (2.6M). Expenditure relating to additional/new grants and contributions (largely King's Highway related) received this year also impacts on this result.					
Depreciation and amortisation	28,894	29,160	(266)	(1%)	U
Other expenses	6,530	8,139	(1,609)	(25%)	U
As with the materials and contracts category, the increased expenditure in this area is largely due to the receipt of additional grants and contributions received this year and some minor carry forward of expenditure relating to funds received last financial year.					
Net losses from disposal of assets	–	445	(445)	0%	U
The majority of the write offs (\$2.8M) relate to Infrastructure assets that have been reconstructed or renewed prior to having reached their expected lives. This is largely offset by investment recoveries received in relation to finalisation of some ongoing investment legal matters.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	33,430	47,257	13,827	41.4%	F
Increased cashflows are largely a result of additional revenues relating to commercial operations, user charges and fees and the receipt of large grants and contributions that are to be spent in Council's future operational program. Council also received large investment recoveries relating to ongoing financial legal matters.					
Cash flows from investing activities	(32,100)	(30,332)	1,768	(5.5%)	F
Council's capital works program was impacted upon this year by the commencement of the Special Rates Variation projects, with reprioritisation required as a result of some minor delays and the impacts of large storm events. Whilst there was a reduction in the purchase of infrastructure, property, plant and equipment, there was also an increase in funding/contributions received, further reducing the cash flows required.					
Cash flows from financing activities	3,253	(4,230)	(7,483)	(230.0%)	U
A large reduction in funding/borrowings required in line with our Fit for the Future Strategy, the revised capital program and timing of current works. The significant unrestricted funding that was available as a result of the various favourable revenue and expense variances, further reduced the reliance on external borrowings.					

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,506	385	–	91	(375)	–	1,607	–
Parking	447	–	–	20	(249)	(218)	–	–
Open space	(329)	106	–	(8)	–	231	–	–
Community facilities	(21)	7	–	–	–	14	–	–
Cycleways/Pedestrian	23	20	–	1	–	(44)	–	–
Administration	(183)	15	–	(5)	(31)	204	–	–
Waste Disposal	245	22	–	13	(89)	(187)	4	–
Bushfire Protection	64	–	–	4	–	–	68	–
S94 contributions – under a plan	1,752	555	–	116	(744)	–	1,679	–
S94A levies – under a plan	439	319	–	30	–	–	788	–
Total S94 revenue under plans	2,191	874	–	146	(744)	–	2,467	–
S94 not under plans	177	30	–	10	–	–	217	–
S64 contributions	2,448	2,418	–	155	(3,259)	–	1,762	–
Total contributions	4,816	3,322	–	311	(4,003)	–	4,446	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	(114)	1	–	(3)	–	116	–	–
– Central district	27	4	–	1	–	(32)	–	–
– Southern district	66	2	–	2	–	(70)	–	–
Total	(21)	7	–	–	–	14	–	–

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	245	22	–	13	(89)	(187)	4	–
Total	245	22	–	13	(89)	(187)	4	–

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	252	–	–	11	(146)	(117)	–	–
– Moruya	72	–	–	2	(100)	26	–	–
– Narooma	123	–	–	7	(3)	(127)	–	–
Total	447	–	–	20	(249)	(218)	–	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	(126)	247	–	–	(150)	29	–	–
Total	(126)	247	–	–	(150)	29	–	–

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	50	53	–	3	–	(106)	–	–
– Northern district	(39)	32	–	(1)	–	8	–	–
– Central district	(239)	19	–	(7)	–	227	–	–
– Southern district	(101)	2	–	(3)	–	102	–	–
Total	(329)	106	–	(8)	–	231	–	–

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	(183)	15	–	(5)	(31)	204	–	–
Total	(183)	15	–	(5)	(31)	204	–	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	8	7	–	–	–	(15)	–	–
– Central district	14	10	–	1	–	(25)	–	–
– Southern district	1	3	–	–	–	(4)	–	–
Total	23	20	–	1	–	(44)	–	–

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	6	–	–	1	–	–	7	–
– Southern district	58	–	–	3	–	–	61	–
Total	64	–	–	4	–	–	68	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	50	–	–	3	–	–	53	–
– Area 2A - NW Batemans Bay	380	–	–	21	–	(29)	372	–
– Area 2B - Long Beach	68	1	–	3	–	–	72	–
– Area 3B - Surf Beach/Malua Bay	193	73	–	12	(28)	–	250	–
– Area 4 - Bimbimbi	56	–	–	3	–	–	59	–
– Area 5 - Polwambra	126	12	–	8	–	–	146	–
– Area 6 - Moruya	25	23	–	2	(35)	–	15	–
– Area 7 - Congo/Bingi	333	29	–	17	(162)	–	217	–
– Area 8 - South Narooma	240	–	–	13	–	–	253	–
– Area 9 - Tilba	161	–	–	9	–	–	170	–
Total	1,632	138	–	91	(225)	(29)	1,607	–

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	439	319	–	30	–	–	788	–
Total	439	319	–	30	–	–	788	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	161	30	–	9	–	–	200	–
Parking	16	–	–	1	–	–	17	–
Total	177	30	–	10	–	–	217	–

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	795	1,330	–	68	(560)	–	1,633	–
Total	795	1,330	–	68	(560)	–	1,633	–

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	1,653	1,088	–	87	(2,699)	–	129	–
Total	1,653	1,088	–	87	(2,699)	–	129	–

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 as at 30 June 2016 a prior period deficit still existed, resulting in member Council's being required to make additional contributions to assist in extinguishing this deficit. This arrangement is anticipated to remain in place until 30 June 2020.

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 2016

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 road.

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

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 \$134,806 as at 30 June 2016. 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		725,582	712,949
a. Correction of prior period errors	20 (c)	(6,529)	(277)
b. Net operating result for the year		23,485	8,035
c. Transfers between equity		–	(1,654)
Balance at end of the reporting period		<u>742,538</u>	<u>719,053</u>

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

– Infrastructure, property, plant and equipment revaluation reserve		628,582	642,820
Total		<u>628,582</u>	<u>642,820</u>

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

– Opening balance		642,820	576,780
– Revaluations for the year	9(a)	(14,238)	70,638
– Transfer to retained earnings for asset disposals		–	1,654
– Correction of prior period errors	20(c)	–	(6,252)
– Balance at end of year		<u>628,582</u>	<u>642,820</u>

TOTAL VALUE OF RESERVES

<u>628,582</u>	<u>642,820</u>
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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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
<p>The 2015 revaluation of the transport asset class included an assessment of the roads network surface to determine its remaining life. These values were later found to be incorrectly data ported giving incorrect lives to the surface assets causing an error in the calculated values. This has since been rectified and values recalculated.</p> <p>The effect of the adjustment is a reduction to the retained earnings amount reported at 30 June 2016.</p> <p>This correction can be evidenced in the Statement of Changes in Equity.</p> <p>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</p> <p>These amounted to the following equity adjustments:</p>			
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		(6,529)	
Total prior period adjustments – prior period errors		(6,529)	–

(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 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	6,047	17,773	31,263
User charges and fees	10,164	745	18,726
Interest and investment revenue	445	535	2,214
Other revenues	72	89	2,234
Grants and contributions provided for operating purposes	202	190	20,809
Grants and contributions provided for capital purposes	1,831	5,056	6,855
Other income			
Net gains from disposal of assets	–	272	–
Total income from continuing operations	18,761	24,660	82,101
Expenses from continuing operations			
Employee benefits and on-costs	2,775	3,698	28,428
Borrowing costs	159	1,097	2,070
Materials and contracts	4,977	5,393	15,424
Depreciation and amortisation	6,151	6,476	16,533
Other expenses	655	820	6,664
Net losses from the disposal of assets	585	–	132
Total expenses from continuing operations	15,302	17,484	69,251
Operating result from continuing operations	3,459	7,176	12,850
Net operating result for the year	3,459	7,176	12,850
Net operating result attributable to each council fund	3,459	7,176	12,850
Net operating result for the year before grants and contributions provided for capital purposes	1,628	2,120	5,994

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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	942	954	3,417
Investments	15,802	16,003	57,316
Receivables	3,374	175	6,582
Inventories	60	–	530
Other	122	–	577
Non-current assets classified as 'held for sale'	–	–	26
Total current assets	20,300	17,132	68,448
Non-current assets			
Receivables	–	–	112
Infrastructure, property, plant and equipment	283,553	248,330	807,366
Total non-current assets	283,553	248,330	807,478
TOTAL ASSETS	303,853	265,462	875,926
LIABILITIES			
Current liabilities			
Payables	2	36	9,690
Borrowings	71	3,195	6,582
Provisions	–	–	9,727
Total current liabilities	73	3,231	25,999
Non-current liabilities			
Payables	–	–	–
Borrowings	1,069	12,073	29,657
Provisions	–	–	2,019
Total non-current liabilities	1,069	12,073	31,676
TOTAL LIABILITIES	1,142	15,304	57,675
Net assets	302,711	250,158	818,251
EQUITY			
Retained earnings	153,048	117,860	471,630
Revaluation reserves	149,663	132,298	346,621
Total equity	302,711	250,158	818,251

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 2016

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	26	–	457	–
Total non-current assets 'held for sale'	26	–	457	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>26</u>	<u>–</u>	<u>457</u>	<u>–</u>

(ii) Details of assets and disposal groups

One property is on the market, listed with an agent.

\$ '000	Assets 'held for sale'	
	2016	2015
(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	457	42
Less: carrying value of assets/operations sold	(442)	–
Balance still unsold after 12 months:	15	42
Plus new transfers in:		
– Assets 'held for sale'	11	415
Closing balance of 'held for sale' non-current assets and operations	<u>26</u>	<u>457</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 2016

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2016) 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 25/10/16.

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 2016.

(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

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 2016

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	
		2016	2015
Brou Waste Management Facility	2019-20	829	899
Surf Beach Waste Management Facility	2018-19	831	848
Moruya Waste Transfer Station	2016-17	291	291
Balance at end of the reporting period		1,951	2,038

10(a)

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	2,038	2,017
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	12	72
Effect of a change in other calculation estimates used	(150)	(115)
Amortisation of discount (expensed to borrowing costs)	51	64
Total – reinstatement, rehabilitation and restoration provision	1,951	2,038

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held to maturity'	30/06/16	77,000	–	–	77,000
Other financial assets - cash and equivalents	30/06/16	17,434	–	–	17,434
Total financial assets		94,434	–	–	94,434
Financial liabilities					
Loans/advances	30/06/16	52,647	–	–	52,647
Other – payables	30/06/16	9,351	–	–	9,351
Total financial liabilities		61,998	–	–	61,998

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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)

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 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
2015					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/15	79,500	–	–	79,500
Other financial assets	30/06/15	4,739	–	–	4,739
Total financial assets		84,239	–	–	84,239
Financial liabilities					
Loans/advances	30/06/15	56,639	–	–	56,639
Other – payables	30/06/15	8,720	–	–	8,720
Total financial liabilities		65,359	–	–	65,359

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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)

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	15,724	15,724
Office equipment		–	–	1,839	1,839
Furniture and fittings		–	–	287	287
Operational land	30/06/13	–	–	65,206	65,206
Community land	30/06/11	–	–	127,735	127,735
Land under roads	30/06/14	–	–	19,296	19,296
Land improvements – non-depreciable	30/06/15	–	–	220	220
Land improvements – depreciable	30/06/15	–	–	2,678	2,678
Buildings – non-specialised	30/06/13	–	–	33,226	33,226
Buildings – specialised	30/06/13	–	–	27,566	27,566
Other recreational assets	30/06/11	–	–	29,172	29,172
Other structures	30/06/11	–	–	7,287	7,287
Roads	30/06/15	–	–	366,504	366,504
Bridges	30/06/15	–	–	23,092	23,092
Footpaths	30/06/15	–	–	22,495	22,495
Stormwater drainage	30/06/15	–	–	82,464	82,464
Water supply network	30/06/12	–	–	275,715	275,715
Sewerage network	30/06/12	–	–	229,030	229,030
Swimming pools	30/06/11	–	–	1,098	1,098
Library books		–	–	526	526
Other		–	–	111	111
Capital works in progress		–	–	13,599	13,599
Total infrastructure, property, plant and equipment		–	–	1,344,870	1,344,870
Non-current assets classified as 'held for sale'					
Land held for sale	30/06/13	–	–	457	457
Total NCA's classified as 'held for sale'		–	–	457	457

(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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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:

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.

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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.

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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.

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.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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.

Non-current assets classified as 'held for sale'

Council is currently in the process of selling a block of land valued on an historical cost basis.

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 – 1/7/14	15,218	1,605	389	65,322	82,533
Purchases (GBV)	3,191	728	12	–	3,931
Disposals (WDV)	(595)	(5)	–	(116)	(716)
Depreciation and impairment	(2,090)	(489)	(114)	–	(2,693)
Closing balance – 30/6/15	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

	Community land	Land under roads	Land improvem- -ents non- depreciable	Land improvem- -ents depreciable	Total
Opening balance – 1/7/14	128,476	19,254	220	2,823	150,773
Transfers from/(to) another asset class	(416)	–	–	(132)	(548)
Purchases (GBV)	–	42	–	35	77
Disposals (WDV)	(325)	–	–	–	(325)
Depreciation and impairment	–	–	–	(48)	(48)
Closing balance – 30/6/15	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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 non- specialised	Buildings specialised	Other structures	Roads	Total
Opening balance – 1/7/14	33,446	28,370	7,169	326,899	395,884
Transfers from/(to) another asset class	241	(606)	(32)	354	(43)
Purchases (GBV)	797	848	702	10,107	12,454
Disposals (WDV)	–	(52)	(4)	(941)	(997)
Depreciation and impairment	(1,258)	(994)	(548)	(6,952)	(9,752)
Revaluation decrements to equity	–	–	–	37,036	37,036
Closing balance – 30/6/15	33,226	27,566	7,287	366,503	434,582
Purchases (GBV)	1,965	1,130	2,204	9,288	14,587
Disposals (WDV)	(63)	(2)	(163)	(1,011)	(1,240)
Depreciation and impairment	(1,321)	(1,061)	(560)	(6,801)	(9,743)
Adjustments and transfers	(46)	(332)	(3,603)	–	(3,981)
Revaluation increments to equity (ARR)	–	–	4,151	–	4,151
Closing balance – 30/6/16	33,762	27,301	9,315	367,979	438,356

	Bridges	Footpaths	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/14	23,422	24,140	60,114	276,679	384,355
Transfers from/(to) another asset class	(1,951)	712	1,908	–	669
Purchases (GBV)	364	2,265	497	1,795	4,921
Disposals (WDV)	(207)	(178)	(136)	(1,028)	(1,549)
Depreciation and impairment	(703)	(458)	(1,427)	(5,778)	(8,366)
Revaluation increments to equity	2,167	(3,986)	21,508	4,047	23,736
Closing balance – 30/6/15	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

Eurobodalla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 – 1/7/14	229,234	1,155	30,425	545	261,359
Transfers from/(to) another asset class	1	(1)	(493)	–	(493)
Purchases (GBV)	3,093	–	1,316	157	4,566
Disposals (WDV)	(436)	–	(256)	(176)	(868)
Depreciation and impairment	(6,199)	(56)	(1,820)	–	(8,075)
Other movement (details here)	3,337	–	–	–	3,337
Closing balance – 30/6/15	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

	Other	Tip assets	Land held for sale	Total
Opening balance – 1/7/14	6	79	42	127
Purchases (GBV)	105	(79)	–	26
Closing balance – 30/6/15	111	–	42	153
Depreciation and impairment	(11)	–	–	(11)
Adjustments and transfers	(95)	–	–	(95)
Closing balance – 30/6/16	5	–	42	47

(5). Highest and best use

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

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EUROBODALLA SHIRE COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2016

Report on the Financial Report

We have audited the general purpose financial statements of Eurobodalla Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

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

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

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

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

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

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

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

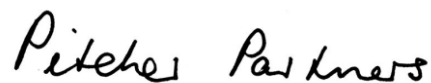
Auditors' Opinion on other legal and regulatory requirements

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance with the requirements of this Division and Regulation;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.



CARL MILLINGTON
Partner



PITCHER PARTNERS
Sydney, 27 October 2016

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EUROBODALLA SHIRE COUNCIL
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT
(Local Government Act, 1993 – Sections 417 (1) 417(3))
YEAR ENDED 30 JUNE 2016

Eurobodalla Shire Council has prepared general and special purpose financial reports for the year ended 30 June 2016 on which we issued separate audit reports to the Council dated 27 October 2016. This report has been prepared in accordance with the requirements of the Division of Local Government, and the provisions of Sections 417(1) and 417(3) of the Local Government Act, 1993.

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

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2016 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2016 Actual	2016 Budget	* Budget	2015 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result	23,485	9,215	156.47% F	8,035
Operating result before capital revenue	9,742	1,501	575.12% F	1,576
Rates & annual charges	55,083	55,040	0.08% F	52,570
Operating grants & contributions	21,201	16,709	26.88% F	17,296
Capital grants & contributions	13,742	7,714	78% F	6,459
Depreciation & amortisation	29,160	28,894	0.92% U	29,110

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

Operating Result. Council's operating surplus increased to \$23.485M from \$8.035M in 2015. This compared with a budgeted surplus of \$9.215M for 2016. The most significant variations impacting the operating result were:

- A significant increase over budget and 2015 actual results for user charges and fees, primarily due to contract work performed for the RMS on state roads;
- A significant increase over budget and 2015 actual results for operating grants, - particularly related to the roads to recovery scheme and for environmental care; and for capital grants and contributions for water and sewer assets, transport (bridges) and for sub-division dedications (non-cash) to council;
- Profit on the disposal of long held financial instrument assets;
- Employee benefit costs and on-costs increased from 2015's actual however were considerably below the budgeted increase of 12%;
- A significant increase in raw material and consumables expense in line with the contract work council won, particularly related to state roads.

Operating Result before Capital. The operating result before capital grants and contributions was a surplus of \$9.742M compared with the prior year surplus of \$1.576M. This compared with the original budget surplus of \$1.443M. As noted above, there was improvement in the operating result before inclusion of capital grants and contributions.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$55.083M from \$52.570M in the prior year, and was within 0.1% of budget for the 2016 year.

Grants and Contributions. Operating grants and contributions for the year totaled \$21.201M and represented 16.93% (2015: 16.40%) of total income from continuing operations. This is in excess of the budgeted amount of \$16.709M.

Capital grants and contributions amounted to \$13.742M for the 2015/2016 year and represented 10.97% (2015: 6.12%) of total income from continuing operations. This was in excess of the budget amount of \$7.714M as noted above.

Depreciation. Included in the operating result was \$29.160M for the depreciation of infrastructure, property, plant and equipment; this is parable with 2015 (\$29.110M) and is marginally greater of the budget amount of \$28.894M. Depreciation represents 28.65% (2015: 29.88%; 2014: 27.92%) of total expenses and 23.28% (2015: 27.60%; 2014: 26.94%) of total income for the year.

Statement of Financial Position

Council's equity at 30 June 2016 amounted to \$1,371.12M comprised of retained earnings of \$742.538M and revaluation reserves for infrastructure assets valuations of \$628.582M.

Council equity has remained stable in 2015/2016 with the surplus result offset by a reduction in the revaluation reserves resulting from the 2016 revaluation of council's community land.

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

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2016 Actual \$'000	2016 Budget \$'000	* Budget Variance %	2015 Actual \$'000
Net cash flows from operations	47,257	33,430	41.36% F	39,939
Net cash flows from investing	(30,332)	(32,100)	5.51% F	(34,099)
Net cash flows from financing	(4,230)	3,253	30.03% U	(7,452)
Net movement in cash	12,695	4,583		(1,612)

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

Council's cash and cash equivalent balances increased to a total of \$17.434M during the year, with \$48.257M being provided from operations, \$30.332M utilised in net investing activities for the acquisition of financial assets and non-current assets, and \$4.230M being utilised to repay borrowings. Included in investing activities was the net sale of \$4.845M of investment securities.

Total Investments and Cash Balances

Council's total cash balance at 30 June 2016 was comprised of the following:

	2016	2015
	\$'000	\$'000
Externally restricted cash	48,772	41,141
Internally restricted cash	19,927	13,872
Unrestricted cash	25,736	29,227
<i>Total Cash, Cash Equivalents and Investments</i>	94,435	84,239

Cash restrictions increased by \$13.686M. Externally restricted funds increased by \$7.631M due to unexpended grants received and water supply revenue for which against which no 2015/16 expenditure had occurred. Internally restricted funds increased as a result of allocations related to the special rates variation and infrastructure renewals identified in the FFTF process.

Unrestricted cash decreased by more than \$3.0M from 30 June 2015.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2016 year results with prior years.

Operating performance ratio. At 9.14% this ratio has continued the trend of improvement observed in 2015 and is above the long-term benchmark of break-even set by NSW TCorp and the Office of Local Government.

Own source operating revenue ratio. The ratio of 72.10% is consistent with comparative periods and is well above industry benchmarks and indicates that Council's reliance on external funding sources is minimal.

Unrestricted Current Ratio. The ratio of 2.68:1 has declined from 3.09:1 from 2015. Despite this decline, the ratio remains a positive indicator that Council has sufficient working capital to fund day-to-day operations and is above the industry benchmark of 1.50:1 set by TCorp.

Debt Service Cover Ratio. Council's borrowings have reduced by \$3.992M in 2015/2016. Increased repayment of principal has impacted on the ratio which, at 2.92, remains above the industry benchmark of 2.0.

Rates and Annual Charges Outstanding Percentage. The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 3.04% which is stable with 3.07% in 2015 and 3.56% in 2014. The ratio remains well within the industry benchmark for regional/rural local government areas of 10%.

Cash expense cover ratio. This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 13.08 exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term operations.

Legislative Compliance

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

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 24), and other legislatively prescribed standards.

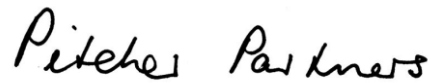
Conduct of the audit

During the conduct of our audit, a number of issues arose that required additional explanation and investigation, however we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

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



CARL MILLINGTON
Partner



PITCHER PARTNERS
Sydney, 27 October 2016

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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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 2016

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 25 October 2016.



L Innes
Mayor



A Mayne
Deputy Mayor



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 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	6,047	5,862
User charges	9,872	9,258
Fees	292	246
Interest	445	455
Grants and contributions provided for non-capital purposes	202	201
Other income	72	88
Total income from continuing operations	16,930	16,110
Expenses from continuing operations		
Employee benefits and on-costs	2,775	2,790
Borrowing costs	159	584
Materials and contracts	4,977	4,358
Depreciation and impairment	6,151	6,077
Water purchase charges	–	–
Loss on sale of assets	585	1,032
Calculated taxation equivalents	31	31
Debt guarantee fee (if applicable)	–	–
Other expenses	624	775
Total expenses from continuing operations	15,302	15,647
Surplus (deficit) from continuing operations before capital amounts	1,628	463
Grants and contributions provided for capital purposes	1,831	1,392
Surplus (deficit) from continuing operations after capital amounts	3,459	1,855
Surplus (deficit) from all operations before tax	3,459	1,855
Less: corporate taxation equivalent (30%) [based on result before capital]	(488)	(139)
SURPLUS (DEFICIT) AFTER TAX	2,971	1,716
Plus opening retained profits	149,288	147,009
Plus/less: prior period adjustments	–	–
Plus/less: asset revaluation reserve transfers	301	424
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	31	31
– Debt guarantee fees	–	–
– Corporate taxation equivalent	488	139
Less:		
– Tax equivalent dividend paid	(31)	(31)
– Surplus dividend paid	–	–
Closing retained profits	153,048	149,288
Return on capital %	0.6%	0.4%
Subsidy from Council	4,366	7,521
Calculation of dividend payable:		
Surplus (deficit) after tax	2,971	1,716
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	2,971	1,716
Potential dividend calculated from surplus	1,485	858

Eurobodalla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	17,773	17,250
User charges	633	591
Liquid trade waste charges	112	99
Fees	–	1
Interest	535	445
Grants and contributions provided for non-capital purposes	190	189
Profit from the sale of assets	272	–
Other income	89	77
Total income from continuing operations	19,604	18,652
Expenses from continuing operations		
Employee benefits and on-costs	3,698	3,475
Borrowing costs	1,097	1,227
Materials and contracts	5,393	4,612
Depreciation and impairment	6,476	6,361
Loss on sale of assets	–	437
Calculated taxation equivalents	44	46
Debt guarantee fee (if applicable)	–	–
Other expenses	776	963
Total expenses from continuing operations	17,484	17,121
Surplus (deficit) from continuing operations before capital amounts	2,120	1,531
Grants and contributions provided for capital purposes	5,056	1,203
Surplus (deficit) from continuing operations after capital amounts	7,176	2,734
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	7,176	2,734
Less: corporate taxation equivalent (30%) [based on result before capital]	(636)	(459)
SURPLUS (DEFICIT) AFTER TAX	6,540	2,275
Plus opening retained profits	110,947	108,761
Plus/less: prior period adjustments	–	–
Plus/less: asset revaluation reserve transfers	268	(18)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	44	46
– Debt guarantee fees	–	–
– Corporate taxation equivalent	636	459
Less:		
– Tax equivalent dividend paid	(44)	(46)
– Surplus dividend paid	(531)	(530)
Closing retained profits	117,860	110,947
Return on capital %	1.3%	1.1%
Subsidy from Council	2,172	4,533
Calculation of dividend payable:		
Surplus (deficit) after tax	6,540	2,275
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	6,540	2,275
Potential dividend calculated from surplus	3,270	1,137

Eurobodalla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Batemans Bay
Beach Resort

Category 1

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
User charges	2,646	2,432
Other income	25	23
Total income from continuing operations	2,671	2,455
Expenses from continuing operations		
Employee benefits and on-costs	6	5
Borrowing costs	589	617
Materials and contracts	1,107	1,071
Depreciation and impairment	388	410
Loss on sale of assets	–	13
Calculated taxation equivalents	35	47
Debt guarantee fee (if applicable)	–	–
Other expenses	437	419
Total expenses from continuing operations	2,562	2,582
Surplus (deficit) from continuing operations before capital amounts	109	(127)
Grants and contributions provided for capital purposes	–	15
Surplus (deficit) from continuing operations after capital amounts	109	(112)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	109	(112)
Less: corporate taxation equivalent (30%) [based on result before capital]	(33)	–
SURPLUS (DEFICIT) AFTER TAX	76	(112)
Plus opening retained profits	(4,013)	(3,911)
Plus/less: prior period adjustments	–	10
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	47
– Debt guarantee fees	–	–
– Corporate taxation equivalent	33	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	(35)	(47)
– Dividend paid	–	–
Closing retained profits	(3,904)	(4,013)
Return on capital %	7.9%	5.2%
Subsidy from Council	–	–

Eurobodalla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	942	9,881
Investments	15,802	795
Receivables	3,374	3,301
Inventories	60	59
Other	122	122
Non-current assets classified as held for sale	–	–
Total current assets	20,300	14,158
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	283,553	283,701
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	283,553	283,701
TOTAL ASSETS	303,853	297,859
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	2	2
Borrowings	71	1,510
Provisions	–	–
Total current liabilities	73	1,512
Non-current liabilities		
Payables	–	–
Borrowings	1,069	1,139
Provisions	–	–
Total non-current liabilities	1,069	1,139
TOTAL LIABILITIES	1,142	2,651
NET ASSETS	302,711	295,208
EQUITY		
Retained earnings	153,048	149,289
Revaluation reserves	149,663	145,919
Council equity interest	302,711	295,208
Non-controlling equity interest	–	–
TOTAL EQUITY	302,711	295,208

Eurobodalla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	954	12,793
Investments	16,003	4,771
Receivables	175	176
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	17,132	17,740
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	248,330	241,437
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	248,330	241,437
TOTAL ASSETS	265,462	259,177
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	36	39
Borrowings	3,195	6,862
Provisions	–	–
Total current liabilities	3,231	6,901
Non-current liabilities		
Payables	–	–
Borrowings	12,073	12,113
Provisions	–	–
Total non-current liabilities	12,073	12,113
TOTAL LIABILITIES	15,304	19,014
NET ASSETS	250,158	240,163
EQUITY		
Retained earnings	117,860	110,946
Revaluation reserves	132,298	129,217
Council equity interest	250,158	240,163
Non-controlling equity interest	–	–
TOTAL EQUITY	250,158	240,163

Eurobodalla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Batemans Bay Beach
Resort

Category 1

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	115	80
Inventories	–	–
Other	21	–
Non-current assets classified as held for sale	–	–
Total Current Assets	136	80
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,884	9,495
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	8,884	9,495
TOTAL ASSETS	9,020	9,575
LIABILITIES		
Current liabilities		
Bank overdraft	3,041	3,046
Payables	–	–
Borrowings	2,663	654
Provisions	–	–
Total current liabilities	5,704	3,700
Non-current liabilities		
Payables	–	–
Borrowings	6,699	9,081
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	6,699	9,081
TOTAL LIABILITIES	12,403	12,781
NET ASSETS	(3,383)	(3,206)
EQUITY		
Retained earnings	(3,905)	(4,013)
Revaluation reserves	522	807
Council equity interest	(3,383)	(3,206)
Non-controlling equity interest	–	–
TOTAL EQUITY	(3,383)	(3,206)

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS 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 also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. 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, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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.

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, 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 Best-Practice Management of Water Supply and Sewerage Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage 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 each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since this 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 Council's General Purpose Financial Statements.

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

Local government rates 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

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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.

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed the minimum of either:

- (i) 50% of 'the surplus before dividend' in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment), or
- (iii) the cumulative 'surplus before dividends' for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	31,000
(ii)	Number of assessments multiplied by \$3/assessment	62,946
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	31,000
(iv)	Amounts actually paid for tax equivalents	31,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,485,300
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	598,460
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	5,248,700

2016 Surplus	2,970,600	2015 Surplus	1,716,100	2014 Surplus	562,000
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	598,460
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(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 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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	18,308
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)]	%	58.37%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	278,044
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,375
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,938
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)]	%	1.33%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	8

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. 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 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	44,000
(ii)	Number of assessments multiplied by \$3/assessment	58,734
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	44,000
(iv)	Amounts actually paid for tax equivalents	44,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,270,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	543,340
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	9,300,300

2016 Surplus	6,540,000	2015 Surplus	2,274,700	2014 Surplus	1,148,600
		2015 Dividend	530,000	2014 Dividend	133,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	543,340
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	531,000
(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 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	21,930
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	233,467
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,866
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	10,226
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.37%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	1,923

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	39,925
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.98%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	13,164
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.80%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	531
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	6.56%

Eurobodalla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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)]	%	-2.80%
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)		-
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	8,100
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	392

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. 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

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EUROBODALLA SHIRE COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2016

Report on the Financial Statements of Council's Declared Business Activities

We have audited the accompanying financial statements, being special purpose financial statements, of Eurobodalla Shire Council's declared business activities, which comprises the statement of financial position as at 30 June 2016 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Auditor's Opinion

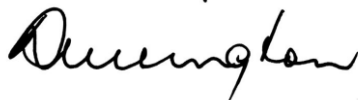
In our opinion, the financial statements present fairly, in all material respects, the financial position of Eurobodalla Shire Council as of 30 June 2016 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

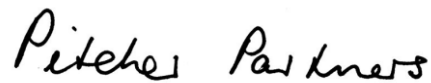
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Other Matter

Eurobodalla Shire Council has prepared a separate financial report for the year ended 30 June 2015 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 27 October 2016.



CARL MILLINGTON
Partner



PITCHER PARTNERS
Sydney, 27 October 2016

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016



Eurobodalla Shire Council

Special Schedules

for the year ended 30 June 2016

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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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,038	29	–	(1,009)
Administration	(927)	925	58	1,910
Public order and safety				
Fire service levy, fire protection, emergency services	1,702	557	306	(839)
Beach control	338	–	–	(338)
Enforcement of local government regulations	558	241	–	(317)
Animal control	222	62	–	(160)
Total public order and safety	2,820	860	306	(1,654)
Health	445	153	–	(292)
Environment				
Noxious plants and insect/vermin control	466	103	–	(363)
Other environmental protection	1,881	4,090	–	2,209
Solid waste management	9,291	10,895	236	1,840
Street cleaning	307	–	–	(307)
Stormwater management	1,508	449	628	(431)
Total environment	13,453	15,537	864	2,948
Community services and education				
Administration and education	533	52	–	(481)
Social protection (welfare)	883	711	–	(172)
Aged persons and disabled	4,622	4,861	–	239
Children's services	1,965	1,531	–	(434)
Total community services and education	8,003	7,155	–	(848)
Housing and community amenities				
Public cemeteries	134	189	–	55
Public conveniences	905	–	–	(905)
Street lighting	490	95	–	(395)
Town planning	3,758	1,135	–	(2,623)
Other community amenities	973	–	–	(973)
Total housing and community amenities	6,260	1,419	–	(4,841)
Water supplies	15,271	16,898	1,831	3,458
Sewerage services	17,168	19,074	4,739	6,645

Eurobodalla Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,822	164	125	(1,533)
Art galleries	–	–	–	–
Community centres and halls	486	129	8	(349)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	165	19	–	(146)
Sporting grounds and venues	2,214	226	–	(1,988)
Swimming pools	1,121	3	–	(1,118)
Parks and gardens (lakes)	4,226	676	229	(3,321)
Other sport and recreation	(12)	17	319	348
Total recreation and culture	10,022	1,234	681	(8,107)
Mining, manufacturing and construction				
Building control	790	786	–	(4)
Other mining, manufacturing and construction	(145)	–	–	145
Total mining, manufacturing and const.	645	786	–	141
Transport and communication				
Urban roads (UR) – local	7,009	1,891	2,134	(2,984)
Urban roads – regional	1,380	1,075	–	(305)
Sealed rural roads (SRR) – local	4,492	1,393	92	(3,007)
Sealed rural roads (SRR) – regional	4,609	4,618	176	185
Unsealed rural roads (URR) – local	949	114	–	(835)
Bridges on UR – local	133	107	–	(26)
Bridges on SRR – local	1,134	498	2,052	1,416
Bridges on URR – local	103	30	–	(73)
Parking areas	714	123	82	(509)
Footpaths	895	164	267	(464)
Aerodromes	584	351	–	(233)
Other transport and communication	613	61	458	(94)
Total transport and communication	22,615	10,425	5,261	(6,929)
Economic affairs				
Camping areas and caravan parks	3,289	4,538	–	1,249
Other economic affairs	3,158	818	–	(2,340)
Total economic affairs	6,447	5,356	–	(1,091)
Totals – functions	103,260	79,851	13,740	(9,669)
General purpose revenues ⁽¹⁾	(1,495)	31,657		33,152
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	101,765	111,508	13,740	23,483

(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 2016

\$'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)											
Treasury corporation	–	–	–	7,083	–	–	–	–	668	6,415	7,083
Other state government	883	3,514	4,397	–	883	–	–	3	880	2,634	3,514
Financial institutions	10,431	42,500	52,930	–	10,431	–	–	3,022	8,300	34,199	42,499
Total loans	11,314	46,014	57,328	7,083	11,314	–	–	3,025	9,848	43,249	53,097
Total debt	11,314	46,014	57,328	7,083	11,314	–	–	3,025	9,848	43,249	53,097

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	4,608	4,028
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	62	49
b. Maintenance expenses	18	15
– Mains		
c. Operation expenses	1,103	1,154
d. Maintenance expenses	973	940
– Reservoirs		
e. Operation expenses	104	103
f. Maintenance expenses	84	87
– Pumping stations		
g. Operation expenses (excluding energy costs)	46	49
h. Energy costs	330	410
i. Maintenance expenses	52	47
– Treatment		
j. Operation expenses (excluding chemical costs)	400	402
k. Chemical costs	217	227
l. Maintenance expenses	75	74
– Other		
m. Operation expenses	268	336
n. Maintenance expenses	35	2
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	6,147	6,066
b. Plant and equipment	4	11
4. Miscellaneous expenses		
a. Interest expenses	159	584
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)	31	31
5. Total expenses	14,716	14,615

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	5,498	5,335
b. Usage charges	7,709	7,332
7. Non-residential charges		
a. Access (including rates)	549	527
b. Usage charges	2,163	1,926
8. Extra charges	–	–
9. Interest income	445	455
10. Other income	364	334
11. Grants		
a. Grants for acquisition of assets	8	49
b. Grants for pensioner rebates	202	201
12. Contributions		
a. Developer charges	1,330	1,148
b. Developer provided assets	389	29
c. Other contributions	104	165
13. Total income	18,761	17,501
14. Gain (or loss) on disposal of assets	(585)	(1,032)
15. Operating result	3,460	1,854
15a. Operating result (less grants for acquisition of assets)	3,452	1,805

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	163	175
b. New assets for growth	599	233
c. Renewals	2,101	2,151
d. Plant and equipment	75	8
17. Repayment of debt	1,510	6,383
18. Totals	4,448	8,950
Non-operating funds employed		
19. Proceeds from disposal of assets	46	11
20. Borrowing utilised	–	–
21. Totals	46	11
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	18,826	18,611
b. Residential (unoccupied, ie. vacant lot)	1,148	1,170
c. Non-residential (occupied)	941	976
d. Non-residential (unoccupied, ie. vacant lot)	67	723
23. Number of ETs for which developer charges were received	113 ET	99 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 369,507	\$ 365,728

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	1,633	–	1,633
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	15,111	–	15,111
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	–	–	–
d. Other	3,374	–	3,374
27. Inventories	60	–	60
28. Property, plant and equipment			
a. System assets	–	277,805	277,805
b. Plant and equipment	–	5,748	5,748
29. Other assets	122	–	122
30. Total assets	20,300	283,553	303,853
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	2	1,069	1,071
33. Borrowings	71	–	71
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	73	1,069	1,142
36. NET ASSETS COMMITTED	20,227	282,484	302,711
EQUITY			
37. Accumulated surplus			153,048
38. Asset revaluation reserve			149,663
39. TOTAL EQUITY			302,711
Note to system assets:			
40. Current replacement cost of system assets			424,529
41. Accumulated current cost depreciation of system assets			(146,485)
42. Written down current cost of system assets			278,044

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,554	3,381
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	861	834
b. Maintenance expenses	242	266
– Pumping stations		
c. Operation expenses (excluding energy costs)	861	812
d. Energy costs	361	420
e. Maintenance expenses	830	502
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,991	1,583
g. Chemical costs	335	336
h. Energy costs	319	437
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	398	342
– Other		
l. Operation expenses	114	137
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	6,466	6,350
b. Plant and equipment	10	11
4. Miscellaneous expenses		
a. Interest expenses	1,097	1,227
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)	575	46
5. Total expenses	18,014	16,684

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	16,093	15,680
7. Non-residential charges		
a. Access (including rates)	1,639	1,530
b. Usage charges	633	591
8. Trade waste charges		
a. Annual fees	41	40
b. Usage charges	–	99
c. Excess mass charges	112	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	535	445
11. Other income	81	75
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	1,923	110
b. Grants for pensioner rebates	190	189
c. Other grants	–	–
13. Contributions		
a. Developer charges	1,088	910
b. Developer provided assets	1,728	67
c. Other contributions	325	119
14. Total income	24,388	19,855
15. Gain (or loss) on disposal of assets	272	(437)
16. Operating result	6,646	2,734
16a. Operating result (less grants for acquisition of assets)	4,723	2,624

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	1,507	616
b. New assets for growth	7,033	785
c. Renewals	1,686	2,531
d. Plant and equipment	–	9
18. Repayment of debt	6,862	3,309
19. Totals	17,088	7,251
Non-operating funds employed		
20. Proceeds from disposal of assets	479	–
21. Borrowing utilised	542	546
22. Totals	1,021	546
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	17,476	17,085
b. Residential (unoccupied, ie. vacant lot)	1,010	1,034
c. Non-residential (occupied)	1,031	1,061
d. Non-residential (unoccupied, ie. vacant lot)	61	67
24. Number of ETs for which developer charges were received	110 ET	101 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 347,690	\$ 344,477

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	81	–	81
b. Special purpose grants	983	–	983
c. Accrued leave	122	–	122
d. Unexpended loans	(43)	–	(43)
e. Sinking fund	–	–	–
f. Other	12,907	–	12,907
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	–	–	–
d. Other	175	–	175
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	246,186	246,186
b. Plant and equipment	–	2,144	2,144
30. Other assets	2,907	–	2,907
31. Total assets	17,132	248,330	265,462
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	29	–	29
34. Borrowings	3,195	12,073	15,268
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	7	–	7
36. Total liabilities	3,231	12,073	15,304
37. NET ASSETS COMMITTED	13,901	236,257	250,158
EQUITY			
38. Accumulated surplus			117,860
39. Asset revaluation reserve			132,298
40. TOTAL EQUITY			250,158
Note to system assets:			
41. Current replacement cost of system assets			409,282
42. Accumulated current cost depreciation of system assets			(175,815)
43. Written down current cost of system assets			233,467

Eurobodalla Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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,PP&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).

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 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Administration	–	–	141	141	9,415	19,079		50%	50%		0%
	Bush Fire Brigade	280	280	116	116	2,532	4,414		60%	34%	6%	0%
	Caravan Parks/Camp Grounds	–	–	336	336	7,841	12,229		96%	4%		0%
	Community Centres	140	140	66	66	2,182	3,754	20%	60%	16%	4%	0%
	Libraries	–	–	91	91	5,856	9,807		67%	33%		0%
	Operational	295	295	2,484	2,484	15,094	21,457		40%	59%	1%	0%
	Parks & Reserves	–	–	123	123	911	2,035		60%	40%		0%
	Public Halls	–	–	54	54	3,278	6,431		60%	40%		0%
	Public Toilets	1,000	1,000	188	188	3,746	6,421		74%	10%	16%	0%
	Sporting Facilities	65	65	215	215	8,373	15,613	19%	50%	30%	1%	0%
	Swimming Pool Centres	150	150	142	142	1,834	5,046		57%	40%	3%	0%
	Sub-total	1,930	1,930	3,956	3,956	61,062	106,286	3.5%	58.2%	36.5%	1.8%	0.0%
Other structures	Other Structures	–	–	196	196	3,794	6,259		80%	20%		0%
	Waste Not in Buildings	–	–	1,283	1,283	5,521	6,524		100%			0%
	Sub-total	–	–	1,479	1,479	9,315	12,783	0.0%	90.2%	9.8%	0.0%	0.0%

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Road Furniture	–	–	172	172	4,508	8,934	5%	55%	40%		0%
	Unsealed roads	5,907	5,907	736	736	56,306	68,281		46%	45%	9%	0%
	Bridges	3,318	3,318	346	346	25,042	43,536	45%	41%	6%	8%	0%
	Footpaths	184	184	80	80	14,297	20,914	5%	35%	59%	1%	0%
	Shared Footpaths	188	188	54	54	9,305	10,976	5%	55%	38%	2%	0%
	Kerb & Gutter	–	–	71	71	40,643	66,167	5%	55%	40%		0%
	Sealed Roads Structure Regional	2,196	2,196	50	50	34,149	44,988	46%	42%	7%	5%	0%
	Sealed Roads Structure Rural	1,422	1,422	120	120	72,279	89,156	57%	29%	5%	9%	0%
	Sealed Roads Structure Urban	14,385	14,385	238	238	134,137	190,666	42%	41%	9%	8%	0%
	Sealed Roads Surface Regional	602	602	280	280	1,376	2,730	48%	28%	2%	22%	0%
	Sealed Roads Surface Rural	260	260	679	679	3,472	7,041	60%	31%	5%	4%	0%
	Sealed Roads Surface Urban	2,667	2,667	1,349	1,349	5,984	13,524	35%	41%	4%	20%	0%
	Carparks	1,593	1,593	106	106	14,186	20,235	2%	47%	43%	8%	0%
	Bus Shelter	–	–	12	12	939	1,448		100%			0%
	Sub-total	32,722	32,722	4,293	4,293	416,623	588,596	31.8%	41.8%	19.4%	6.9%	0.0%
Water supply network	Dams	–	–	80	80	18,014	26,012		100%			0%
	Pipeline	6,535	6,535	2,076	2,076	205,671	315,498	10%	33%	55%	2%	0%
	Pump Stations	–	–	731	731	2,427	5,716		80%	20%		0%
	Reservoirs	–	–	242	242	31,169	50,437		100%			0%
	Telemetry	40	40	61	61	133	610		50%	43%	7%	0%
	Treatment Plants	650	650	692	692	18,579	23,494		97%		3%	0%
		Sub-total	7,225	7,225	3,882	3,882	275,993	421,767	7.5%	49.4%	41.5%	1.7%

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Pipeline	–	–	1,103	1,103	142,151	214,969	10%	30%	60%		0%
	Pump Stations	1,200	1,200	2,121	2,121	20,125	40,315	10%	40%	47%	3%	0%
	Telemetry	40	40	45	45	499	1,909		49%	49%	2%	0%
	Treatment Works	–	–	3,043	3,043	68,149	148,007	20%	60%	20%		0%
	Sub-total	1,240	1,240	6,312	6,312	230,924	405,200	13.6%	42.0%	44.0%	0.3%	0.0%
Stormwater drainage	Drainage Roads	807	807	354	354	12,148	16,450	5%	60%	30%	5%	0%
	Drainage Works	11,130	11,130	203	203	71,707	95,806	5%	63%	20%	12%	0%
	Sub-total	11,937	11,937	557	557	83,855	112,256	5.0%	62.6%	21.5%	11.0%	0.0%
Open space/recreational assets	Swimming pools	2,454	2,454	96	96	1,234	8,008			69%	31%	0%
	Other Open Space Recreational	998	998	1,454	1,454	27,870	44,112	10%	13%	75%	2%	0%
	Waterways	1,520	1,520	143	143	5,709	8,894		10%	73%	17%	0%
	Sub-total	4,972	4,972	1,693	1,693	34,813	61,014	7.2%	10.9%	73.9%	8.0%	0.0%
	TOTAL – ALL ASSETS	60,026	60,026	22,172	22,172	1,112,585	1,707,902	16.8%	45.4%	33.8%	4.0%	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 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>19,772</u>	76.23%	44.56%	47.83%
Depreciation, amortisation and impairment	<u>25,938</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>60,026</u>	5.40%	5.09%	7.86%
Carrying value of infrastructure assets	<u>1,112,585</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>22,172</u>	1.00	1.00	0.58
Required asset maintenance	<u>22,172</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>60,026</u>	3.51%	3.35%	5.07%
Gross replacement cost	<u>1,707,902</u>			
5. Capital expenditure ratio				
Annual capital expenditure	<u>37,774</u>	1.30	0.77	0.86
Annual depreciation	<u>29,160</u>			

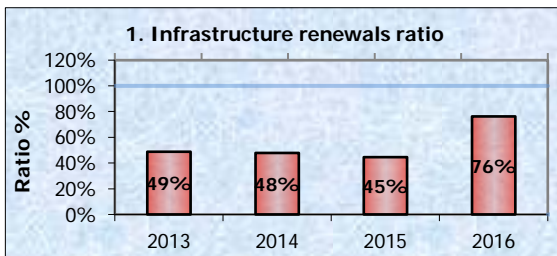
Notes

* 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 2016



Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

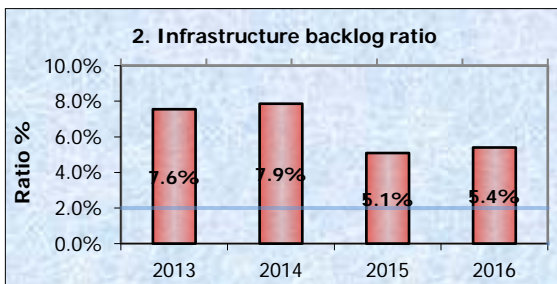
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 76.23%

The improvement in the result this year is largely a result of a significant increase in Council's renewals program. This increase in Council's renewals program was one of the aims stated in the successful Special Rates Variation application.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of infrastructure backlog ratio

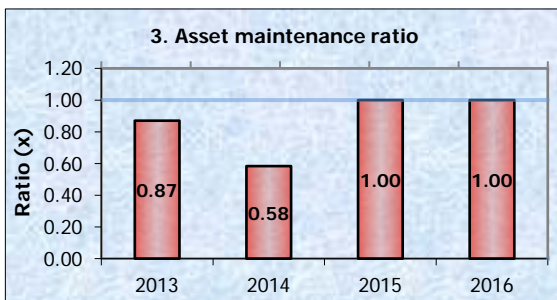
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2015/16 result

2015/16 Ratio 5.40%

Addressing the infrastructure backlog has continued to be a priority of Council this year with the current result maintaining the improvements on earlier years. Council endeavours to continue reducing this backlog in line with the requirements of 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 #24

Purpose of asset maintenance ratio

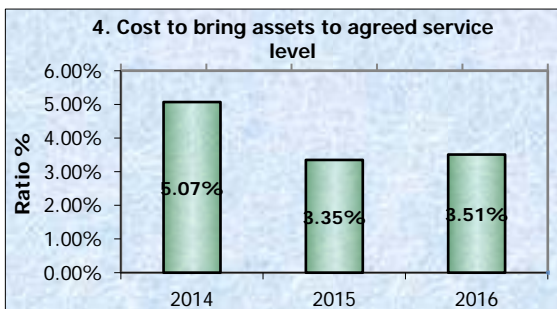
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.00 x

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

Ratio achieves benchmark
Ratio is outside benchmark



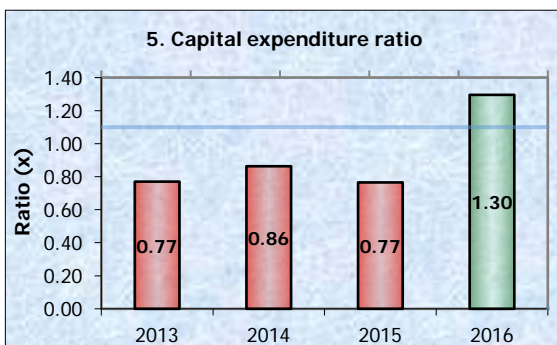
Purpose of agreed service level ratio

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 2015/16 result

2015/16 Ratio 3.51%

This new indicator represents the proportion of outstanding infrastructure renewal works compared to the gross replacement cost of assets under Council's care.



Benchmark: Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2015/16 result

2015/16 Ratio 1.30 x

The large increase in Council's capital works program, directly related to the successful Special Rates Variation application, 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.

Ratio achieves benchmark
Ratio is outside benchmark

Eurobodalla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	28.93%	24.87%	119.71%
Depreciation, amortisation and impairment			
prior period:	28.94%	37.13%	54.14%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	2.62%	0.54%	8.51%
Carrying value of infrastructure assets			
prior period:	0.79%	0.54%	8.83%
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.00	1.00
Required asset maintenance			
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	1.71%	0.31%	5.85%
Gross replacement cost			
prior period:	0.00%	0.00%	0.00%
5. Capital expenditure ratio			
Annual capital expenditure	0.48	1.58	1.49
Annual depreciation			
prior period:	0.42	0.62	0.95

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 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	23,894	25,421
Plus or minus adjustments ⁽²⁾	b	14	153
Notional general income	c = (a + b)	23,908	25,574
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%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	1,523	1,629
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	25,431	27,203
Plus (or minus) last year's carry forward total	l	2	11
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	2	11
Total permissible income	o = k + n	25,433	27,214
Less notional general income yield	p	25,421	27,186
Catch-up or (excess) result	q = o – p	12	28
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(1)	(2)
Carry forward to next year	t = q + r – s	11	26

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.

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EUROBODALLA SHIRE COUNCIL

Special Schedule No. 8

Independent Auditors' Report to the Council for the Year ended 30 June 2017

Report on Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Eurobodalla Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Auditor's Opinion

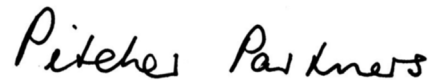
In our opinion, Special Schedule No. 8 of Eurobodalla Shire Council for the year ending 30 June 2017 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2017 is presented fairly. As a result, the schedule may not be suitable for another purpose.



CARL MILLINGTON
Partner



PITCHER PARTNERS
Sydney, 27 October 2016